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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
1. Memorandum	Robert Gray to Gen. Persons re Cabinet Action status report & uncompleted assignments	8/23/60	A
~~2. Cabinet~~	~~Paper- Action Status Report~~ DECLASSIFIED 4/15/76 OPEN WITH DELETIONS PORTIONS OF PAGES 22 & 23 REMAIN CLASSIFIED EO 605 5(B)(3) PER GSA LTR 8/5/75	~~8/[illegible]/60~~	~~A~~
3. Memorandum	Gray to Persons re lagging compliance with Cabinet Actions	7/6/59	A
4. Cabinet	Action Status Report	6/30/59	A

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CI-60-7/8

August 1, 1960

THE WHITE HOUSE

WASHINGTON

THE CABINET

Action Status Report

For information of Cabinet members, attached is the ninth Cabinet Action Status Report.

This Report, prepared by the Cabinet Secretariat on the basis of material supplied by the Cabinet Departments and the Executive Office, is designed to assist the President and Members of the Cabinet to keep track of action taken on decisions made at Cabinet meetings, and to help ensure coordination in the action process.

This report covers the Cabinet meetings from June 22, 1959 through July 1, 1960 (RA - 59-135 through RA - 60-156).

Also included in this Report are action assignments which have been carried forward from the previous reporting period (cf CI - 59-7/7).

The attention of each Cabinet member is directed (a) to the section of the attached Report which concerns his Department and (b) to Section W - "General Action Assignments to All Cabinet Departments."

Robert Gray
Secretary to the Cabinet

Did not get on Cabinet Agenda.

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By DJH, NARS Date 4/15/76
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August 1, 1960

The White House

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THE CABINET

Action Status Report

(For the period June 21, 1959 - August 1, 1960 and
including assignments from the previous reporting period)

A. THE VICE PRESIDENT

1. The Cabinet Committee on Price Stability for Economic Growth

(CI - 59-7/7, Item A-1)

The Committee has met frequently. It made an oral progress report to the Cabinet on June 22, 1959 (RA - 59-135, Item 4); issued its first Interim Report on June 29, 1959; other reports on August 17, 1959; September 7, 1959; and October 25, 1959. It issued its second Interim Report on April 17, 1960.

2. Television "Briefings"

(3/4/60, RA - 60-148, Item 1(f))

Cabinet action completed.

Deferred. The President, the Vice President and many others gave television addresses on this theme at the Republican National Convention.

B. THE DEPARTMENT OF STATE

1. Assessment of Chairman Khruschev's Visit and of Other Top Level US-USSR Exchanges

(11/6/59, RA - 59-140, Item 1-b)

Cabinet action completed.

Some of the proposals noted here, especially those with respect to Berlin and matching contributions for the UN, have been made and are still standing.

2. Report from NATO

(11/11/59, RA - 59-141, Item 1)

Cabinet action completed.

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Mr. Spaak met with the President, the Vice President, the Secretaries of State and Treasury, the Chairman of the Council of Economic Advisers, the Directors of USIA and of CIA, and other senior officials, in a highly successful visit.

3. Coordination of International Educational and Cultural Activities

(11/27/59, CP-59-102, RA - 59-142, Item 2)

The final text of Cabinet Paper 59-102 is still under consideration. Also under consideration is a new Executive Order dealing with the subject of subparagraph b.

4. Refugee Problems and World Refugee Year

(3/11/60, CP-60-67, RA - 60-149, Item 1-c)

Cabinet action completed.

The Administrator of the Bureau of Security and Consular Affairs and other officers of the Department of State on repeated occasions have brought the President's and the Administration's desire for prompt action on the Administration immigration bills, S. 3225, H.R. 11234, and H.R. 11235, to the attention of the Chairman of the Senate and House subcommittees on immigration. They have also discussed this interest with members of these subcommittees and with other members of the Congress who appear to be particularly concerned with the subject matter. (See Section E-1 below.)

5. Clearance of Speeches Affecting Foreign Policy

(3/11/60, RA - 60-149, Item 3)

Arrangements and compliance here seem to be more effective than previously. In the last four months of 1959 a total of 208 items (speeches, articles, press releases, etc.) were offered to the Department of State for clearance, the average being 52 items per month. In the first 5-4/5 months of 1960 a total of 428 items was similarly submitted, averaging 72 items per month. The Department of Defense and the Service Departments have organized a particularly careful clearance machinery with the Department of State which is reported functioning smoothly.

6. Isthmian Canal Plans, 1960

(4/29/60, CP 60 - 108, RA - 60-152, Item 4)

With reference to items 4(b)(i), on May 20 Acting Secretary Dillon addressed a Memorandum to the President setting forth a number of diplomatic considerations involved in negotiating a route for an Isthmian sea level canal to be constructed by nuclear excavation techniques outside the Canal Zone, including a discussion of possible routes through Mexico, Colombia, Nicaragua, and Panama. It was concluded that it is premature to attempt within the near future to select a location for a sea level successor to the present Panama Canal.

With reference to item 4(b)(ii), on May 4, Acting Secretary Dillon recommended to the President that, on foreign policy grounds, an embargo be placed on release of the contents of CP-60-108 until a long-range Isthmian Canal policy has been formulated in the National Security Council for the President's review and approval. On May 6, the President determined that there will be no release of the contents of CP-60-108.

The NSC is now seized of the entire Isthmian Canal problem and the Department has submitted a paper to the Planning Board Assistants. The Departments of State and Defense are now actively engaged in the preparation of policy recommendations which will be submitted to the President for decision after appropriate consideration throughout the NSC structure.

7. Developments at the Summit and Their Significance

(5/26/60, RA - 60-154, Item 1-a)

Cabinet action completed.

The Department of State has recommended adversely with respect to this matter, particularly since most of the substantive points of the statement involved have already been made public by leading Government spokesmen.

8. Gifts from Foreign Governments

(CI-59 - 7/7, Section B-1)

In January of 1960 it was determined by the Department of State, and affirmed by the White House, that 1960 would not be an appropriate time to submit to the Congress the draft legislation proposed in Cabinet Paper 59-80/1.

9. Return of Vested German and Japanese Assets

(CI-59 - 7/7, Section B-2)

Cabinet action completed.

As a result of German representations in mid-1958, it was agreed to defer the submission of the Administration's comprehensive proposal for an equitable monetary return of vested German assets and for the payment of American war damage claims. It was also agreed that the submission of draft legislation for the payment of American war damage claims should not be further delayed. On July 3, 1958 the Assistant Secretary for Congressional Relations reported this decision in a letter to the Chairman of the interested Congressional Committees. This letter noted that a separate claims bill might facilitate future efforts to achieve a final solution to the vested assets problem since, by establishing the magnitude of valid claims, one of the principal sources of difficulty in the consideration of the problem would be eliminated. During Chancellor Adenauer's visit here in March of this year the Germans were informed that action on the American claims legislation was a necessary preliminary to further discussions on a settlement of the vested assets question.

The Administration bill for the payment of World War II damage claims of American nationals against Germany and for the payment of similar war damage claims of American nationals arising in the Pacific theater was transmitted to the 86th Congress on behalf of the Administration by the Foreign Claims Settlement Commission on January 7, 1959. It was introduced in the House as H. R. 2485 and referred to the House Interstate and Foreign Commerce Committee. The same bill was introduced in the Senate as S. 2005 on May 20, 1959 by Senator Wiley and referred to the Committee on the Judiciary. Hearings were held by the appropriate Subcommittees of the Senate and House on these and several other bills relating to war claims and vested assets during the First Session of the 86th Congress. The Administration bill called for the payment of the claims against Germany from the proceeds of the liquidation of vested assets and the Pacific claims from appropriated funds not to exceed ten million dollars.

On March 1, 1960 the House passed H. R. 2485, as amended, to provide that all claims authorized be paid from the available proceeds of the vested assets. On June 21, 1960 the Senate Subcommittee on Trading With the Enemy Act ordered favorably reported to the full Committee H. R. 2485, further amended to provide only for adjudication of the American war damage claims but without provision for their payment. The Senate Subcommittee also ordered favorably reported S. 531, relating to certain returns of vested properties to persons now United States citizens, amended to include the substance of S. 2012 which provides for the divesting of certain interests in estates and trusts and S. 2354 which provides for the return of vested copyrights and trademarks and for the transfer of vested motion picture films to the Library of Congress. The last mentioned bill was submitted to the Congress by the Department of Justice, with the concurrence of the Department of State, and is primarily for the purpose of eliminating the administrative burden occasioned by the continued vesting of those categories of property.

The Senate Subcommittee also ordered reported to the full Committee without recommendation H. R. 6462, which was passed by the House on March 1, 1960, concerning the settlement of claims of successor organizations for the return of vested heirless property, and S. 1103 authorizing the Alien Property Custodian to sell certain property under provisions of the Trading With the Enemy Act.

10. Initiation and Preparations for Tariff Negotiations

(CI-59 - 7/7, Section B-4)

Under the guidance of the Department of State, the Departments and Agencies having responsibilities in the trade agreements field have continued the necessary preparatory work for United States participation in the GATT tariff negotiations conference which is to begin at Geneva in September 1960.

On May 27, 1960 the Trade Agreements Committee (TAC) issued the official announcement of the intention of the United States to participate in the negotiations under the authority and procedures of the trade agreements legislation. Accompanying the announcement was the list of products, approved by the President, on which the United States may consider offering tariff concessions in exchange for tariff concessions by other countries. The Tariff Commission is making the required "peril point" investigation on each product on this list. The TAC also issued on May 27 a list of products of significance in United States export trade on which concessions from other countries may be sought in the negotiations.

In public hearings before the Committee for Reciprocity Information and the Tariff Commission, (which began July 11), interested persons have an opportunity to make their views known on all aspects of the negotiations, including whether or not concessions should be offered by the United States on particular products or sought from other countries participating in the conference. The information developed in these hearings will be utilized by the TAC in completing its preparatory work for United States participation in the negotiations, which is being pursued along the following three lines:

1. Preparation of final request lists on other countries specifying the rate reductions to be sought;

2. Preparation of recommendations to the President on possible offers of tariff reductions on items on the public list of import items issued on May 27; and

3. Preparation of recommendations to the President on items for inclusion in a contemplated supplementary public list.

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C. THE TREASURY DEPARTMENT

1. International Balance of Payments

(8/7/59, RA - 59-138, Item 2)

Following the Cabinet meeting of August 7, 1959, a Balance-of-Payments Group at Cabinet level was formed, chaired by the Secretary of the Treasury, and consisting of Messrs. Dillon, Gates, Mueller, Southard, Wallich, Upton, Baird, Waugh, Saulnier, and Martin. To carry out the broad objectives set by the Cabinet Group, a Deputies Group was subsequently constituted under the chairmanship of Mr. Alfred H. Von Klemperer, Assistant to the Secretary of the Treasury, and including representatives of the White House, the CFEP, State, Defense, Commerce, the Bureau of the Budget, the Export-Import Bank, and the Federal Reserve Board.

Under the guidance of the Deputies Group, a number of studies have been organized to be coordinated through the NAC and the CFEP. Drafts of some of these studies, covering the following subjects have now been completed:

(1) U. S. efforts to abolish discrimination against U. S. goods in foreign markets, and seek relaxation of import restrictions generally;

(2) Effects of U. S. stockpiling policies on balance of payments;

(3) Possible foreign exchange savings in foreign operations of Defense Department military functions;

(4) Possible foreign exchange savings in connection with military assistance expenditures;

(5) Negotiations on debts owed to the U. S. where no formal agreement has as yet been reached with debtor countries such as the Japanese GARIOA:

(6) Increased participation by foreign industrial countries in long-term development financing; and

(7) Desirability of discouragement or avoidance of encouragement of U. S. private investment in foreign countries.

Studies covering the remaining items cited in the Cabinet Record of Action are under way, and it is anticipated that they will all be completed within a period of 2 to 3 months.

In three additional fields, studies have been completed and concrete steps have been taken to place newly-developed policies into operation. Last Fall, as a means of diminishing the adverse impact of our economic aid programs on our balance of payments, it was agreed by the Board of Directors of the Development Loan Fund to place primary emphasis in their procurement policy on the financing of goods and services of U. S. origin. Second, in May of this year, following the development of a new policy by the NAC, the Export-Import Bank of Washington inaugurated a plan of expanded export credit insurance facilities to cover the political risks in short-term export transactions, and designed to improve the competitive position of American exporters. Third, early this spring an export promotion drive was launched through a Presidential Proclamation and under the direction of the Department of Commerce, which entails

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efforts to improve services to our exporters both at home and abroad, and which has enlisted the cooperation of the American exporting community. Additional specific measures are now under consideration in the other fields in which operations are being examined.

Dramatic immediate effects on our balance of payments from the steps taken or in view for early action are not anticipated. However, it is believed that these measures will lay the groundwork for substantial improvement over the longer term.

2. Promoting the Growth of the National Economy: Tax Structure Reform

(CI-59 - 7/7, Item C-2).

This assignment is proceeding on a continuing basis.

D. DEPARTMENT OF DEFENSE

1. Preliminary Evaluation of Operation Alert 1960

(5/12/60, RA - 60-153, Item 3b)

The appropriate studies are underway in the offices of the Joint Chiefs of Staff and of the Assistant Secretary of Defense for Properties and Installations. Their results should be available by October 1, 1960. The Congress, however, has appropriated for Fiscal Year 1961 only 5.1 of the 10.3 million dollars which was requested to increase the facilities at the AJCC.

2. Cooperation with Canada in Defense

(CI-59 - 7/7, Section D-1)

High-level meetings continue to be held quarter-annually between the Material Secretaries of the Military Departments and the Canadian Department of Defense Production officials to review the progress made and to devise ways and means of encouraging the placement of more of our defense business in Canada.

Under this program, during January 1959-March 1960, total U.S. defense business awarded to Canadian firms was $108 million, while Canadian business awarded here amounted to $212 million. The large imbalance of defense business in U.S. favor resulted principally from the adoption by the Canadians of U.S. F-104 aircraft for manufacture in Canada to meet their NATO commitments. The Canadians must rely heavily on U.S. suppliers of F-104 parts. Since this is a continuing Canadian program, the imbalance will probably continue for the next several months. U.S. program with Canada is based principally upon giving Canadian firms an equal opportunity with American firms to compete for defense requirements. Since Canadian defense industry is relatively small, the Department of Defense feels that the awarding of $108 million worth of business to Canadian firms was a significant achievement.

While the U.S. has adopted a very liberal Buy American Act policy with respect to Canadian prime contract supplies, this has not been of great assistance to the Canadians in obtaining subcontracts from the United States. The U. S. has recently adopted a much more liberal duty-free entry procedure for Canadian supplies which is consistent with the position taken under the Buy American Act, and should result in many more Canadian subcontract opportunities in the United States. In addition, a development sharing program is also being initiated with Canada, whereby the Canadian Government will finance some U. S. defense development programs with Canadian industry. If these programs are eventually successful, it will result in more defense contracts being placed in Canada. Unusual steps have also been taken to encourage major U. S. defense contractors to permit Canadian firms to compete for defense subcontracts.

E. THE DEPARTMENT OF JUSTICE

1. Refugee Problems and World Refugee Year

(3/11/60, CI-60-67, RA - 60-149, Item 1a & b)

Cabinet action completed.

On March 17, 1960, the President submitted a special message recommending new immigration legislation.

2. Report to the Cabinet from the Interdepartmental Personnel Security Advisory Committee Regarding the Recommendations of the Commission on Government Security

(CI-59 - 7/7 - Item 1 e)

The PSAC drafted proposed legislation in a report dated March 11, 1959. At a White House meeting on April 9, 1959, the report was discussed and the decision reached that legislation was not necessary.

3. Conflicts of Interest

(CI-59 - 7/7 - Section U-5a)

Pursuant to recent discussions between the Department of Justice and Bureau of the Budget, it has been concluded for the time being that in the absence of a Congressional request for Administration's views the Bureau would not attempt to secure Agency views on the pending legislation.

F. THE POST OFFICE DEPARTMENT

1. Report on Mail Delivery and Similar Governmental Services in Germany During the Final Months Before Her Surrender in 1945

(CI-59 - 7/7, Section F-1)

Assignment completed in a memorandum to the Secretary to the Cabinet which has been reported to the President.

G. THE DEPARTMENT OF THE INTERIOR

1. Implementation of the Report of the President's Advisory Committee on Water Resources Policy

(CI-59 - 7/7, Section G-1)

No legislation has yet been submitted to the Congress by the Administration to implement the report of the President's Advisory Committee on Water Resources Policy.

Following the activity reported previously (in Section G-1) a condensed version of the "package" water resources policy bill, omitting the main features of the earlier bill to which objections had been raised, was circulated by the Bureau of the Budget for agency comments. The general objectives of this new draft bill are to provide for the establishment of regional or river basin water resources commissions and to establish uniformity of approach among the various affected Federal Agencies' evaluation of plans for water resources and related developments involving Federal construction and financial participation. This new draft would be available as a substitute for H. R. 3704 and would be in partial implementation of the recommendations of the President's Advisory Committee on Water Resources Policy.

H. THE DEPARTMENT OF AGRICULTURE

1. The New Delhi World Agriculture Fair

(7/17/59, CI - 59-61, RA - 59-136, Item 3)

Cabinet action completed.

The President's comments were considered in final preparations for the New Delhi Agriculture Fair. The President visited the exhibit during his tour of India in December 1959.

2. Additives in Poultry

(12/11/59, RA - 59-143, Item 7d)

Cabinet action completed.

As summed up in a press release of the Department of Agriculture of May 4, 1960, the Department purchased approximately 12 million pounds of caponettes which had been treated with diethylstilbestrol. The Department is processing these 12 million pounds to a canned boned product from which all skins, livers and kidneys (the only contaminated parts) are being removed and destroyed, and only the white and dark meat portions of the bird canned. This procedure, which is concurred in by the Secretary of Health, Education, and Welfare, will provide a food product suitable for general consumer use. The product will be offered to States for distribution to welfare institutions eligible to receive donated commodities. In their public statements of record, both Departments have treated this subject in a way carefully calculated to preserve consumer confidence in the wholesomeness of America's food supply.

3. Chemicals in Food

(1/22/60, CP - 60 - 105, RA - 60 - 146, Item 2 (a, b, d, f, g))

** a. The following actions have been taken to implement the approved recommendations of Cabinet paper 60-105:

A.* With respect to enforcement, the Agricultural Research Service requested $100 thousand dollars of additional funds in fiscal 1961 over fiscal 1960, and the Congress granted it $75 thousand dollars. The Food and Drug Administration's budget for enforcement for FY 1961 is $16.8 million as compared to $13.8 million in fiscal 1960. Pertinent FDA citations rose from 193 in FY 1959 to 233 in FY 1960; FDA seizures rose from 25 to 36.

B.* With respect to research, the Agricultural Research Service is particularly concentrating its attention on finding new and improved uses for existing chemicals and poisons, e.g. by mixing insect attractants in order to diminish the amounts of the poison or to lessen its direct use on crops.

C.* (1) With respect to Federal-State-Local liaison, both FDA and Agriculture are increasing and emphasizing this aspect of their activities, especially the participation of Federal officials in meetings of State and local groups, such as with the State Commissioners of Agriculture in national and regional meetings. FDA has increased from 1 to 5 the officers on its headquarters staff who are specifically available to travel throughout the country and meet with groups of State and local officials.

C.* (2) With respect to federal-commercial liaison, both FDA and Agricultural officials meet frequently with local, regional and national conferences of growers and processors and marketers -- e.g. cattlemen, dairymen, sheepmen -- and there is a constant flow of correspondence and consultation between Washington and these interested associations.

C.* (3) With respect to interdepartmental liaison, in addition to direct contacts between ARS and FDA operating officers, consideration is now being given to the exchange of comprehensive, factual memoranda on the operations and problems of the two services, possibly to be followed by a more formalized committee coordination where appropriate.

D.* With respect to new legislation, in spite of Administration testimony, Congress included the Delaney Amendment proviso in the new Color Additives Act.

** b. With respect to labelings: Both manufacturers and users of economic poisons are being told emphatically and repeatedly by both FDA and ARS that the labels on these products must be accurate and then must be followed literally. The registrations of older labels are being reviewed as promptly as facilities and staff permit. The chief problem is with multi-use poisons, where a considerable amount of what to the layman and the home gardener would appear to be technical information has to be included on one small label.

** c. With respect to the packaging industry: There has been extensive consultation with various parts of the industry and many extensions have been granted. Secretary Flemming has testified that if, by next February, it appears that renewed authority to grant extensions will be needed, HEW will request this authority.

** d. With respect to pin-pointing offenders: This has been the constant objective in both agencies, complicated only by the practice, as in cranberries, of the products of individual growers losing their identity in the comingling at the processors.

* Corresponding to format of Cabinet Paper 60-105, 1/22/60

** Follows the paragraphing of RA-60-146, Item 2

** e. With respect to the prosecution of deliberate offenders; the U.S. Attorneys in the two localities in question have declined to prosecute the cases considered by FDA as flagrant. HEW is gathering additional documentary material and will discuss both cases with the Department of Justice.

I. THE DEPARTMENT OF COMMERCE

1. Financing the Highway Program

(7/31/59, RA - 59-137, Item b)

Since August, 1959, when the President reaffirmed that his policy for financing the highway program is to follow the "pay-as-you-go" principle, the Department of Commerce has taken the following steps to implement this decision:

a) Supported legislation to increase gasoline tax by 1-1/2 cents per gallon. (Congress authorized only one cent, plus diversion of certain excise taxes.)

b) Reduced the 1961 apportionment to the States for the Interstate program in order to stay within anticipated revenues to the Trust Fund.

c) Established a plan to time reimbursements to the States so that the Trust Fund would remain in balance. This plan was also designed to assure repayment of an advance which was approved for 1960 in order to balance out the monthly flow of revenues and expenditures within the fiscal year. A similar advance was requested and approved for fiscal 1961.

d) Supported a new recommendation to the Congress for increase of 1/2 cent in the gasoline tax and repeal of the diversion of excise taxes enacted in 1959.

e) Proposed a reduction from $925 million to $900 million in the ABC authorizations for 1962 and 1963 to reduce the load on the Trust Fund and keep this program more in balance with the Interstate program.

f) Announced on June 27, 1960 the intention to apportion for fiscal 1962 the full authorization of $2.2 billion for the Interstate program. It is contemplated that reimbursement planning will continue in fiscal year 1961 with provision for some acceleration of obligations by the States. The "pay-as-you-go" principle will be maintained, however, in accordance with the President's policy.

2. Improving Interdepartmental Coordination of the Area Assistance Program

(11/6/59, CP - 59-101, RA - 59-140, Item 5)

The Interdepartmental Committee to Coordinate Federal Urban Area Assistance Programs, since its organization in the latter part of 1959, has improved coordination among Federal agencies engaged in procurement, construction, research and other contract activities and has enhanced the cooperation between these Federal agencies and state and local governments, private individuals and organizations, so that the placement of Federal contracts may be more readily achieved and may more directly assist areas with substantial and persistent unemployment. Information on available Federal programs of assistance to labor surplus areas has been provided to the interested public and to members of Congress. Special surveys and analyses have been made and consultations held at the request of members of Congress to attempt to alleviate specific unemployment situations in their areas. Existing and pending Federal activities have been reviewed and reprogrammed to provide more immediate assistance to certain persistent labor surplus areas. A periodic reporting system has been inaugurated to help in programming Federal activities for labor surplus areas, and a pilot project to facilitate the placement of more Federal contracts in such areas is being developed.

3. Federal Transportation Policy and Program

(1/22/60, RA - 60-146, Item 6)

On February 9, following preliminary review of agency comments, the Secretary of Commerce and the Under Secretary for Transportation agreed to some changes at the White House, and on February 12 additional changes were agreed to by staff members of Commerce, Budget Bureau and the White House. On March 4 the final draft went to the Government Printing Office, and on March 9 the President's transmittal letter was added.

On March 14 the study was sent to Congress. There was no White House press release, but Mr. Hagerty had copies of the report available at a press conference. The Secretary of Commerce issued a one-page press release, followed by a technical press conference given by the Under Secretary for Transportation.

The President's March 14 letter of transmittal to the Congress stated "I have transmitted copies of the report to the interested Executive Agencies, in order that the Secretary's recommendations may be carefully considered with a view to developing appropriate administration legislative proposals and Executive Branch actions."

The Bureau of the Budget has circulated the Report to the interested agencies with a request for detailed comments. All but a few have been received; the next stage will be the development by the Bureau of a comprehensive analysis of these comments in the form of a discussion paper on the major issues raised.

J. THE DEPARTMENT OF LABOR

1. Problems in Steel

(11/11/59, RA - 59-141, Item 3(b))

Cabinet action completed.

The President had implied his sympathy with this proposal in remarks made during his press conference of October 22, 1959.

2. Certain Long-Term Labor Management Problems

(CI - 58-7/7, Item J-1)

The Secretary of Labor is continuing to give close attention to this problem.

3. Restrictions on the Employment of State and Local Conflict Labor in the Performance of Federal Contracts

(CI - 59-7/7, Section E-2)

The Department of Labor has undertaken inter-departmental consultations concerning this matter and also consultations with labor organizations which have a strong interest. The inter-departmental consultations have served to narrow the areas of need for revision and to clarify those modifications of the present Executive Order which might meet with general approval. These consultations are continuing.

K. THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

1. Fund-Raising Within the Federal Establishment -- Review of Procedures with Respect to Privacy of Donations

(8/7/59, RA - 59-138, Item 1)

Cabinet action completed.

A directive implementing the approved recommendations was issued to the Departments on the date of the Cabinet meeting -- August 7, 1959. The system is reported to have worked quite satisfactorily -- with the approbation of all concerned, including the recipient organizations.

2. Plans for the National Cultural Center

(11/11/59, CI - 59-63, RA - 59-141, Item 5)

Cabinet action completed.

Fund-raising efforts for the Center are being seriously impeded by lack of Congressional action on vital legislation relating to land acquisition for the Center. Administration-cleared legislative proposals are now bottled up at the Public Works Committees of both Houses.

3. Additives in Poultry

(12/11/59, RA - 59-143, Item 7c)

See Section H-2 above.

Cabinet action completed.

On May 13, 1960, Secretary Flemming presented legislation to the House Committee on Interstate Foreign Commerce which would accomplish the recommendations he cited at the Cabinet. The Committee has not acted on these proposals.

4. Federal Funds to States and Localities Where Discrimination Is Involved

(12/18/59, RA - 59-44, Item 2d)

Reports are being received from all agencies concerned in the Executive Branch. These reports will be consolidated in the near future into a report for Cabinet consideration.

5. Chemicals in Food

(1/22/60, CB - 60-105, RA - 60-146, Item 2. a, c, d, e, f, g)

See Section H-3 above.

6. Legislation With Respect to Juvenile Delinquency

(1/22/60, RA - 60-146, Item B)

Cabinet action completed.

On February 23, 1960, in response to the request of the House and Senate Appropriations Committees, the Secretary transmitted a report of the Children's Bureau and of the National Institute of Mental Health, calling attention to the need for increased research, field studies, and demonstration projects in the prevention and treatment of juvenile delinquency.

7. The Problem of Air Pollution

(4/8/60, CI - 60-70, RA - 60-151, Item 2)

Public Law 86-493, passed and signed this session, has authorized a two-year program of intensified research by the Public Health Service on health effects from auto exhausts. The results of this research are to be reported to the Congress in two years. An appropriation to carry out this research has been added as an amendment to the HEW appropriations bill -- which is still pending before the Congress.

S.3106, the Administration bill on the air pollution program was amended and passed by the Senate, but has had no House action yet.

8. Report of the Federal Radiation Council: Radiation Protection Guidance for Federal Agencies

(5/12/60, CP - 60-109, RA - 60-153, Item 4)

The report was revised, approved by the President, circulated to the Cabinet as CP - 60-109/1, published in the Federal Register on May 18, 1960, and transmitted to the joint Commitee on Atomic Energy. The background document was made available on May 19, 1960. The report was discussed at public hearings of the joint Committee on Atomic Energy on May 25th and June 3, 1960.

The Council is now preparing a study of the conformance of agency operating criteria or regulations with the Council's published guidance. It is also working on a second report on the subject of internal emitters.

9. Coordination of Federal Activities for the Aging

(CI - 59-7/7, Section K-4)

The major project of the Council has been the plans for the White House Conference on aging, to be held in Washington, January 9-12, 1961. There will be 1,747 delegates from the States and Territories (State participation being aided by $759,200 in federal grants for this purpose), 660 from national voluntary organizations and 393 additional special delegates, plus guests and observers. Results of State Aging Conferences will be integrated into 20 Working Papers which will be discussed in Working Groups and then in Sections at the White House Conference.

10. (In Secretary Flemming's capacity as Chairman of the President's Advisory Committee on Government Organization): Office of Executive Management

(CI - 59-7/7, Section K-5)

Pending.

L. BUREAU OF THE BUDGET

1. Guidelines for the FY 1961 Budget

(6/22/59, RA - 59-135, Item 3)

Cabinet action completed.

The guidelines indicated were used in the development of the FY 1961 Budget transmitted to the Congress on January 18, 1960.

2. The Joint Program to Approve Accounting in the Federal Government

(7/31/59, RA - 59-137, Item 4)

The Director of the Bureau of the Budget has sent a communication to each Department Head indicating the problem areas to which special attention should be given.

The Bureau of the Budget, the Department of the Treasury, and the GAO are collaborating with the individual agencies in this continuing program to improve financial management practices.

3. Holding the Line on Personnel in FY 1960

(9/11/59, RA - 59-139, Item 4a)

Cabinet action completed.

On September 21, 1959, letters were sent to each major agency indicating the President's desire to hold personnel totals in FY 1960 at least 2% below the level which could be financed under available appropriations. Reports received from these agencies in October 1959 indicated plans to hold employment 1.2% below the level which could be financed. However, year-end Civil Service Commission reports of June 30 indicate that agencies are actually holding employment 2.3% below the level which could be financed. (See also Sections 6 and 9 below.)

4. Report on Congressional Budgetary Action

(9/11/59, RA - 59-139, Item 4c)

Cabinet action completed.

A final report of congressional budgetary action (86th Congress, 1st Session) was released by the White House on September 23, 1959.

5. The FY 1960 Budget -- Progress and Prospects

(11/6/59, RA - 59-140, Item 2)

Cabinet action completed.

The President transmitted to Congress on January 18, 1960 the budget for FY 1961 with surpluses indicated for FY 1960 and FY 1961 in the amounts of $217 million and $4,184 million respectively.

6. Support of the President's Budget

(1/22/60, CP - 58-44/1, RA - 60-146, Item 3)

Cabinet action completed.

These policies were applied in the submission and review of supplementals for FY 1960 and FY 1961.

In accordance with the stated policies, expenditures and personnel levels for FY 1960 have been kept under constant review. (See Sections 7 and 9 below.)

7. FY 1960 Expenditures and Personnel Levels

(2/26/60, RA - 60-147, Item 1)

Cabinet action completed.

Discussions were held with appropriate officers of selected agencies. In FY 1960 expenditures are being kept within "programmed bounds" with few exceptions and employment on June 30, 1960 was 2.3% below what could have been financed from appropriations.

8. Expediting Agency Reports on Legislation

(3/25/60, RA - 60-150, Item 4)

Cabinet action completed.

General satisfaction with current arrangements has been informally expressed by the congressional leadership.

9. FY 1960 Expenditures and Personnel

(4/29/60, RA - 60-152, Item 2)

Cabinet action completed.

Sub-paragraphs (a) and (b) embodied a directive to agency heads. The over-all civilian personnel levels for FY 1960 as compared with the previous year are as follows:

June 30, 1959	2,355,027	(excluding census
June 30, 1960	2,355,252	enumerators)
	+ 225	

The suggestion in sub-paragraph (c) has been implemented.

10. Guidelines for the FY 1962 Budget

(6/3/60, RA - 60-155, Item 1)

The guidelines are being used by the Bureau of the Budget in examination of preliminary agency estimates for FY 1962 and in discussions on those estimates between agency heads and the Director of the Bureau of the Budget. The guidelines will continue to be applied throughout the development and review this fall of the President's FY 1962 Budget.

11. Government Competition with Business

(CI - 59-7/7, Section L-1)

Implementation of the latest approved paper onthis subject is proceeding as specified.

Bureau of the Budget Bulletin No. 60-2 was issued to carry out the approved recommendations. Civilian agencies completed the evaluations of their commercial-industrial activities. Of the 18,903 existing installations evaluated, the agencies discontinued or planned to discontinue 1,632. During the period from January 1, 1957 to July 31, 1959, 236 new installations were established. The agencies reported the following compelling reasons for continuing the 17,507 remaining installations and new starts:

National security -- 216 installations
Higher costs -- 133 installations
Clear Unfeasibility
    Basic mission -- 1,266 installations
    Unavailable commercially -- 9,727 installations
    Administratively impractical -- 6,165 installations

The review of the civilian agencies' reports by the Bureau of the Budget is continuing. In accordance with approved Recommendation E, special administrative arrangements were made with the DOD to extend its evaluation schedule through March 1961.

Special studies of MATS, the Panama Line, and TVA construction were completed. The AEC has developed a program for evaluating its major activities. Other priority activities to which approved Recommendation D applied (MSTS, maintenance of aircraft, ships and vehicles and FAA administrative aircraft) are presently being studied or are programmed for intensive examination by the agencies.

12. Charges for Certain Government Services

(CI - 59-7/7, Item L-2)

Bureau of the Budget Circular No. A-25, User Charges, was issued September 23, 1959. It sets forth the policies approved in CP 59-49/4, instructions and guidelines for implementation of these policies, assigns responsibility for implementation to the individual agencies, and requires annual agency progress reports. The Bureau of the Budget has responsibility for overall coordination of the program. A report of progress made during FY 1959 was issued in May 1960, based on the first annual agency reports.

The progress report noted that in those cases in which full implementation of the program requires only administrative action by the executive agencies, appreciable progress is being made. In the past fiscal year, action has been taken in some 85 cases to impose charges or increase charges to be more nearly commensurate with cost, or, in the case of property, with value to the recipient. In the case of situations in which full recovery of cost or fair market value is restricted or limited by law, legislative action has been requested from the Congress. Ten such proposals are presently pending.

The following table indicates the growth in revenues deposited in miscellaneous receipts of the Treasury in recent years from fees and charges for certain user charges activities: (excludes taxes, charges for postal services, and such other sources of revenues as sale of property and highway fuel taxes)

Year (Fiscal)	Sale of Products	Rents and Royalties	Permit and License Fees[1]	Miscellaneous Fees and Charges	Total
		(Millions of Dollars)			
1952	100.6	103.8	34.8	48.1	287.3
1954	108.6	141.5	45.0	29.8	324.9
1956	170.3	150.6	48.9	35.6	405.4
1958	145.3	172.8	52.8	41.1	412.0
1959	171.5	181.3	53.6	33.4	439.8

13. The Program for the Disposal of Surplus Federal Real Property

(CI - 59-7/7, Section L-3)

A tentative report has been developed of those excess and surplus real property transactions processed by the General Services Administration and by agencies under delegations of authority from the GSA. Work is proceeding on the refinement and expansion of this report so as more accurately to reflect Government-wide progress in the disposal of unneeded Federally-owned real property. In order to present a complete picture to the Cabinet it will be necessary to examine the real property management practices in selected agencies. A progress report to the Cabinet can be made when this work is completed, which should be not later than September 1960.

14. Impact of Supreme Court Decisions Affecting Federal Immunity from State and Local Taxation

(CI- 59-7/7, Section L-10)

Cabinet action completed.

Approved Cabinet Paper 59-96 was issued on May 22, 1959. Implementation since that date has been as follows:

In his Budget Message for 1961, the President publicly coupled this problem with that of payments in lieu of taxes and suggested that it was a matter for attention in both the legislative and executive branches. During this session of the Congress, the Senate passed legislation dealing only with payments in lieu of taxes. That measure is now pending before the House; representatives of the Bureau of the Budget and affected agencies have testified and a specific provision has been proposed to provide partial immunity from the effects of the Supreme Court tax decisions. Such legislation, if enacted with suggested amendments, would be in accord with the Cabinet action of May 22, 1959.

M. OFFICE OF CIVIL AND DEFENSE MOBILIZATION

1. Phase IV of Operation Alert 1959

(7/31/59, RA - 59-137, Item 2)

Cabinet action completed.

The familiarization test of the OCDM Classified Location was successfully conducted as proposed.

2. Funding of the Delegate Agencies' Civil Defense and Defense Mobilization Functions

(7/31/59, CI - 57-50, RA - 59-137, Item 3)

Following the recommended action, Congress appropriated $6,250,000 of a $12,000,000 request. Expenditures have been at a going rate of approximately $7.5 million by the end of fiscal year 1960. Against this rate both Houses of Congress approved $6,250,000 for fiscal year 1961 which is a reduction of about 16 percent.

3. Regional Boundaries

(7/31/59, RA - 59-137, Item A; CI - 59-7/7, Section M-2)

Cabinet action completed.

In the cases of Labor and HEW, modifications were made as follows: Labor Department has the capability to perform civil defense and defense mobilization functions in conformance with the eight-region pattern. The HEW emergency program is outlined in a jointly-released memorandum of May 26, 1960, by the Secretary of HEW and the Director of OCDM, entitled "Policy Guidance Concerning Principles of Organization and Operation to Conduct Emergency Health and Welfare Functions in the Event of an Enemy Attack."

4. Policies With Respect to Stockpiling

(9/11/59, CP - 59-78/2 revised, RA - 59-139, Item 2)

Approved Cabinet Paper CP - 59-78/3 was circulated on September 30, 1959.

Revision of Defense Mobilization Order V-7 was issued on December 10, 1959, to implement the recommendations in the September 10, 1959 Cabinet Paper. This revised Order superseded DMO V-3 which dealt with surplus materials acquired under the Defense Production Act and the previous DMO V-7 which prescribed general policies for strategic and critical materials stockpiling.

Specific actions taken on the six recommendations of the Cabinet Paper are as follows:

Determination of Stockpile Objectives

All reviews of stockpile objectives have been in accordance with the new policy. Interdepartmental reviews have been completed and official action has been taken by OCDM on 40 objectives since September 10, 1959. Reviews have been completed on an additional five materials and OCDM action on the objectives is now pending.

Disposal of Excesses

Disposal has been authorized by OCDM for 41 materials in the strategic stockpile and DPA inventories since the Cabinet Action of September 10, 1959. Thirteen of these require specific approval by Congress, which approval has not been obtained. Congress, however, enacted disposal legislation on four items previously authorized for disposal by OCDM, including natural rubber which is of major importance. Disposals since the September 10 date have amounted to about $70 million.

New Legislation

A draft bill providing for comprehensive revision of stockpile legislation has been circulated to agencies but final clearance has not been obtained. Submission early in the next session of Congress is contemplated.

Barter for Strategic Materials

Action on barter for strategic materials has been taken through the Supplemental Stockpile Advisory Committee for barter of the Department of Agriculture. Preference has been given to procurement of the materials by barter when domestic procurement is not necessary to maintain the domestic mobilization base.

Government Use of Excess Materials

Agencies which use significant quantities of strategic materials have been notified of the Order and GSA has issued Defense Materials Regulation 2 to require use of the materials when agencies can meet their needs directly from the surplus inventories.

Cancellation of Commitments

This is a continuation, with some liberalization, of the cancellation policy previously in effect. Cancellations have amounted to about $367 million since July 1, 1958, and to about $50 million since September 10, 1959. Efforts to cancel contracts are being continued but savings diminish as contracts offering possibilities are eliminated.

5. Status of Shelter Measures

(11/6/59, RA - 59-140, Item 3)

The National Shelter Program has been developed materially during a fiscal year 1960. The Prototype Program for which $2,500,000 was appropriated will have this total amount obligated or earmarked on July 1, 1960. This involves the construction of 152 shelters throughout the nation --

100 family-type and 52 small and large group shelters. The Shelter Survey program, with $500,000 appropriated, has now underway surveys in New York City, Los Angeles, California, Tallahassee, Florida and the State of Delaware. Much progress has been made in technical promotion with trade associations, architects, engineers, construction and building groups and private industry through work-shop meetings and conferences. A grant for the establishment of curricula in colleges of architecture and engineering has been made to Pennsylvania State College with three more under negotiation. There has been very little activity in the construction of fallout shelter in new federal buildings and none at all in existing federal buildings due to fiscal limitations set by the Congress. The Shelter Program has had a much increased measure of public interest and acceptance during the past year.

6. Guide for Civil Defense Action in the Washington Warning Area

(11/6/59, RA - 59-140, Item 4)

Cabinet action completed.

This booklet was given house-to-house distribution in the Washington Warning Area by the Post Office Department and 214,000 were distributed to Federal employees at their offices.

7. Financial Policy for Postattack Operations

(9/11/59, CP - 59-100, RA - 59-139, Item 3; 1/22/60, CP - 60-100/1, RA - 60-146, Item 1)

Following the approval of its Report, the Committee was dissolved, but further assignments were made as follows:

(a) The Treasury Department was delegated responsibility for the possible administration of the approved emergency financial program and was asked to prepare the required standby emergency regulations and to issue the necessary sub-delegations of emergency authority to other financial agencies. Part of this work has been completed and the balance is in process.

(b) An interagency committee, chaired by OCDM, has been organized to develop the details of a program for carrying out the approved policy for the sharing of war damage losses. The committee has reached agreement on two-thirds of the work to be done and plans to an interim report to the Director of OCDM by August 15. Detailed plans are then to be developed by Treasury and Federal Reserve which, following OCDM and Bureau of the Budget review, are likely to be presented for Cabinet consideration in December.

8. The Survival Item Program: Medical Supplies

(3/25/60, CP - 60-106, RA - 60-150, Item 2)

Approved Cabinet Paper 60-106/1 was circulated on April 13, 1960.

Action taken on the four subsidiary investigations described on page 4 of CP - 60-106/1 is as follows:

1. OCDM has requested the Public Health Service to furnish a standard list of basic medical survival items which should be held by householders for use in an emergency situation. Upon completion of the list OCDM will use it as a basis for a project for stimulating individuals to provide for themselves during an emergency postattack period in accordance with the National Plan for Civil Defense and Defense Mobilization.

2. Work is under way to develop a program to increase manufacturers' and distributors' inventories. This project will also be addressed to the possibility of increasing existing Government non-stockpile inventories.

3. With reference to acquiring medical items through barter or foreign currencies under the provisions of Public Law 480, the OCDM "Interagency Committee on the Use of Public Law 480 for Acquiring Survial Items" renewed its activity as indicated below and will report its findings by September 1, 1960. The Committee:

(a) Reexamined the medical survival item list to ascertain which items can be considered for PL 480 acquisition;

(b) Made an initial review of items in the 200-bed hospital package to ascertain whether any of these items can be acquired by use of PL 480;

(c) Initiated field review of items which appear feasible for foreign acquisition; and

(d) Developed a program for foreign acquisitions using PL 480 and correlated this program with proposed dollar purchases for inclusion in the next regular OCDM budget.

4. With reference to the conversion of production capacity not now engaged in production of survival items to production of survival items postattack, OCDM is approaching the problem through a joint BDSA-DOD survey in collaboration with HEW. The objective is to ascertain the capability of industry to convert postattack. Survey forms have been cleared within Government. A Fact Sheet will be developed for each medical survival item and will conclude with recommendations for dealing with the postattack deficiency of each item.

In order to maximize the protection which can be given to medical stockpiles, OCDM has requested HEW to provide estimates for hardening stockpile sites.

As suggested in paragraph (b) of Item 2, OCDM, after consultation with appropriate agencies, is running a test recalculation of the need for stockpiled items under less severe attack assumptions.

9. Preliminary Evaluation of Operation Alert 1960

(5/12/60, RA - 60-153, Item 3)

Cabinet action completed.

The Cabinet noted Director Hoegh's report, including his conclusion that at State and above all at local levels, means be found, including Federal stimulating pursuant to Public Law 85-606, to improve civil defense planning, readiness and staffing. Following Appropriations Committee Conference action, the Federal stimulation pursuant to PL 85-606 will amount to a new item of $6 million, approved to start on January 1, 1961.

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OK FBA GSA

10. The National Plan for Civil Defense and Defense Mobilization

(CI - 59-7/7, Section M (3)b)

Cabinet action completed.

All annexes (39 in all) have been prepared and all but two have been issued. Annex 5, Federal Delegations and Assignments, and Annex 27, Emergency Economic Stabilization are scheduled for distribution by September 1960.

(3)

By letter of Daniel J. Cronin to Daniel J. Reed: [8/5/75] "CI-60-7/8: Item M 11 should not be declassified. Continuing protection is essential to national security. Date for declassification cannot be predetermined. Citation: section 5 [B] [3], Executive Order 11652."

12. National Telecommunications Policy

O.K. G FPA

(CI - 59-7/7, Section M-6)

On March 8, 1960, the Director, OCDM, transmitted to the Director of the Bureau of the Budget a proposed Executive Order which would create the position of Adviser to the President on Radio Frequency Usage. The purpose of the Order is to create a new position in the White House Office, the incumbent of which will assist the President in the performance of the President's functions under the Communications Act of 1934, as amended, with respect to the utilization of the radio spectrum by the Federal Government. This matter is being reviewed in the Executive Office.

Strengthening of the OCDM Telecommunications Office by the addition of 21 persons, which was authorized by the Budget Bureau last year at the request of the Director, OCDM, has proceeded. Eleven of the 21 authorized have been hired thus far.

13. Implementation of the Report of the Cabinet Committee on Energy Supplies and Resources Policy

(CI - 59-7/7, Item M-7)

OK GSA FPA

Cabinet action completed.

This Committee has not met since June 1958. Most of its recommendations have been the subject of continuing attention and action on the part of the Departments and Agencies involved, the most notable example being the mandatory restrictions on oil importation administered by the Department of the Interior. In accordance with the wishes of the Secretary of the Interior, OCDM recently concluded that no action should be taken at this time to disestablish or otherwise change the status of the Committee.

14. Postattack Communication with the Surviving Population

(CI - 59-7/7, Section M (9)e)

This subject has been changed from solely a Presidential capability to "The Development of a Postattack Broadcast Capability for

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Nation-wide Governmental Communication with the Surviving Population." A draft Cabinet Paper on this subject is undergoing revision. FPA

[redacted]

By letter of Daniel J. Cronin to Daniel J. Reed (8/5/75): "CI-60-7/8: Item [M] 15 should not be declassified. Continuing protection is essential to national security. Date for declassification cannot be predetermined. Citation: section 5 (B) (3), Executive Order 11652."

16. The Development of a Unified, Federal Civilian Communications System

(See Section U-2 below.)

OK GSA-FPA

N. THE UNITED STATES INFORMATION AGENCY

1. USIA and the Cabinet: Arrangements for Liaison

(CI - 59-7/7, Section N-1)

Since the last reporting period there has been little activity involving USIA under the specific procedures provided by the arrangements set forth in Cabinet Record of Action 57-65. However, in most cases, there has been generally satisfactory exchange of information and coordination with USIA by other agencies through regular liaison channels. USIA continues to have effective working relationships with most of the affected agencies, and particularly those which participate in the OCB.

O. COUNCIL OF ECONOMIC ADVISERS

1. Analysis to be circulated

(3/4/60, RA 60-148, Item 1-c)

Completed.

2. Long-term anti-inflationary measures with respect to costs: establishment of the Committee on Government Activities Affecting Prices and Costs

(CI - 59-7/7, Section O-2)

During the last reporting period, this Committee has met less frequently.

P. THE ATOMIC ENERGY COMMISSION

1. Project PLOWSHARE

(4/29/60, RA - 60-152, Item 3)

There have been no significant modifications of the concepts, projects, or schedules outlined in the briefing presented to the Cabinet on April 29, 1960. The first nuclear detonation in this program, currently

Through the cooperation of the Departments of Justice and State and the Bureau of Customs, the procedures implemented to date provide the greatest amount of control of the situation short of prevention of all flights to or over Cuba.

S. CIVIL RIGHTS COMMISSION

1. Cooperation with the Commission

(CI - 59-7/7, Section R-1)

Since the previous report, the Congress has extended the life of the Commission on Civil Rights for an Additional two years, ending November 9, 1961. The Commission has continued its studies in the areas of voting, education, and housing, and has undertaken additional surveys in the fields of "administration of justice" and "equal opportunity in public employment". Requests for information in these new study areas have resulted in assurance of further cooperation by the departments and agencies concerned, including specifically the Departments of Justice, Labor, HEW, the Bureau of Public Roads, the Committees on Government Contracts and Government Employment Policy, and the Federal Aviation Agency.

T. CIVIL SERVICE COMMISSION

1. Use of Personnel Resources

(6/3/60, RA 60-155, Item 1-k & 1)

The subject of constant study, effort and reminder, within the Commission and with all the agencies of government. A special Cabinet presentation may be arranged covering these points.

U. GENERAL SERVICES ADMINISTRATION

1. Removal of Papers by Retiring Department and Agency Heads

(7/17/59; CP - 59-58/3; RA - 59-136, Item 1; CI - 59-7/7, Section B-3)

The departments and principal independent agencies are utilizing the standards and recommendations expressed in approved Cabinet Paper 59-58/4. Several departments have issued internal instructions based on the Cabinet Paper. In two instances, the Archivist of the United States has been consulted as to proper action. In addition to the arrangements respecting the personal papers of John Foster Dulles covering his service as Secretary of State, several other agency heads have made commitments to donate their pertinent papers to the Eisenhower Library, including Christian Herter, General Walter Bedell Smith, Admiral Lewis Strauss, Marian Folsom, George Humphrey, and James Mitchell.

2. Plan for a Federal Civil Agencies Communications System

(11/27/59, CP - 59-91/2, RA - 59-142, Item 3; CI - 59-7/7, Section M (9)h)

Pursuant to subparagraph a(iii) of the approved Record of Action, the Administrator of General Services developed a further, precise study and transmitted this to the President on June 24, 1960. Action on it has been referred to the Executive Office; a meeting to discuss next steps may be arranged shortly among the principals directly involved.

3. Plans for Ellis Island

(12/11/59; RA - 59-143, Item 3)

The Department of Health, Education, and Welfare has been in touch with various groups which had expressed interest in the property for educational and historical purposes. HEW believes that disposal for an educational purpose with a public benefit allowance can be worked out but only if the government announces in advance that the purchaser will be able to resell portions of the property for commercial purposes. (The government would receive from the proceeds of any such resales the amount of the appraised fair market value of such property; any amount in excess thereof would be applied in furtherance of the approved educational program.) This proposal is now under consideration within GSA. A meeting of all interested groups in New York City has just been held; the interested groups are given a period within which to file proposals. Should an acceptable proposal be received, availability of the property would be assured for a period of 120 days to enable the applicant to perfect his financial plans.

GSA conferred with the Department of Justice on jurisdictional questions and was advised in April that because of diverse conclusions reached by the Courts of New York and New Jersey in construing the 1833 boundary compact between those states, considerable doubt existed over which state has sovereignty over Ellis Island. The Department advised that no useful purpose would be served by its rendering an opinion on the matter since it would have no determinative effect as to the claims of either state.

The Department further advised that no practical purpose would be achieved by a suit to determine the sovereignty of Ellis Island in view of the possibility that different parts of the Island are subject to different state sovereignty. The Department concluded that since the interests of prospective purchasers of Ellis Island is apparently dependent upon a determination that the Island lies entirely in one state or the other, a compact between the two states is the only means of assuring a fully satisfactory result.

GSA thereafter made arrangements through the Council of State Governments to discuss the possibility of an interstate compact. A meeting with the Chairmen of the Committees on Interstate Cooperation of New York and New Jersey was set for August 8, 1960.

4. Problems of Federal Office Space

(CI - 59-7/7; Section S-1)

With respect to the general problem, certain further Presidential action is under consideration.

With respect to subparagraph 4(c) of RA - 59-133, this project has been added to Stage 2, but its future will be subject to the action taken on S 3524 and HR 12148, urged again by the President in his Message of May 3, 1960.

V. THE WHITE HOUSE

1. The Deputy Assistant to the President (Interdepartmental Affairs)

a. Coordination of 1960 Speech Acceptances

(12/18/59, RA 59-144, Item 3(b); 3/4/60, RA 60-148, Item 1(a))

The coordinator designated is the Honorable Robert Merriam, assisted by Mr. Douglas Price.

2. The Deputy Assistant to the President (Congressional Relations)

a. Congressional Support for Administration Appropriations Testimony

(1/22/60, RA 60-146, Item A(1))

Action completed.

b. US vs. USSR Defense Programs

(3/4/60, RA 60-148, Item 1(d))

Completed.

3. The Special Assistant for Science and Technology

a. Oceanography

(7/31/59, RA 59-137, Item 1; 3/11/60, RA 60-149, Item 4)

Cabinet action completed.

Under the coordination of the Federal Council for Science and Technology, the various agencies are moving ahead with their respective contributions to an integrated program of oceanographic research and operations. In addition to special bilateral arrangements with the United Kingdom, England and Japan are also among the several interanational partners with whom the United States is joining in a comprehensive long-range oceanographic survey of the Indian Ocean, announced on June 13, 1960 by the White House.

4. The Special Assistant to the President for Public Works Planning

a. Intermediate and Long-range Actions in the Drought Area

(CI - 59-7/7, Section U(2)a)

There has been no basic change in the status of this study as reported in CI 59-7/7 dated June 30, 1959.

The discussions with Congressional representatives were completed. The results of these and earlier discussions with the Federal agencies and with local officials indicated general public acceptance of the proposal and willingness to cooperate. However, the Federal agencies thought their plans sufficient, and some Congressmen considered that actions by the Congress were meeting the most urgent problems.

On May 23, 1960, the Coordinator for Public Works Planning submitted a report to the President concluding that while there was no strong present interest in the study, in view of the importance of providing a permanent solution to the recurring drought threat, work should continue toward perfecting the principles of the study and the techniques to carry it out.

b. Establishment of a President's Committee on Water Rights and Use

(See Section U(2)b of CI - 59-7/7)

There has been no basic change in the status of the Water Rights Study as reported in CI 59-7/7 dated June 30, 1959.

On March 1, 1960, the House Committee on Interior and Insular Affairs released a detailed report (Committee Print No. 19, 86th Congress, 2d Session) on FEDERAL WATER RIGHTS LEGISLATION. The report deplored the lack of any systematic survey or even of a good collection of concrete examples where exercise of Federal powers has interfered with State administration of water resources or, on the other hand, the extent to which a requirement that Federal administrators follow State water laws would hamper or prevent them from carrying out the jobs that Congress had given them to do. The Committee report also contained a draft water rights bill which went entirely too far in the direction of diluting Federal constitutional rights, and to which the Executive Branch raised objection.

No action has been taken by the Congress on any of the many pending bills.

c. Public Works Stabilization Plans

(CI - 59-7/7, Section U(2)c)

There has been no major change in the status of this item since CI - 59-7/7 of June 30, 1959.

Review and updating of plans with their attendant legislative proposals has continued.

Another bill containing some of the features of the proposed standby Public Works acceleration legislation has recently been introduced in the Senate.

Administration sponsorship of limited standby authority for the President was again recommended, but no further progress has been made toward the introduction of legislation on this subject by the Administration.

5. The Administrative Assistant to the President (Dr. Moos)

a. The State of the Union Message

(1/6/60, RA - 60-145, Item 1)

Completed.

b. Special Message to the Congress

(4/29/60, RA - 60-152, Item 1)

Completed.

6. The Special Assistant to the President for Personnel Management

a. The Career Executive Program

(See Section U(1)a of CI - 59-7/7)

As part of its executive development program, the Civil Service Commission is working with the Special Assistant to the President and with the departments and agencies on effective executive development programs of their own, and specifically encouraging each agency to undertake a survey of the executive replacement and training problems which each one faces. One report has already been made on this subject and another will be due in October.

b. Territorial Allowances

CI - 59-7/7, Section U(1)d)

Acting under the authority delegated to it by the President, and the mandate to review allowances annually, the Civil Service Commission recently reduced the allowances in Hawaii and Puerto Rico. The allowance in Alaska still is under a 25 percent ceiling. The Commission is currently reviewing the methodology used in arriving at allowance calculations and will determine, between now and January, whether there should be further reductions or possibly elimination, of the allowances in Hawaii and Puerto Rico.

7. The Secretary to the Cabinet

a. Presidential Homecoming

(12/11/59, RA - 59-143, Item 8)

Completed.

b. Executive Sessions of the Cabinet

(3/11/60, RA - 60-149, Item A)

Being scheduled from time to time, pursuant to the President's suggestion.

W. GENERAL ASSIGNMENTS TO ALL CABINET DEPARTMENTS

1. Removal of Papers by Retiring Department and Agency Heads

(7/17/59, CP - 59-58/4; RA 59-136, Item 1)

The ten recommendations on pages 5 - 7 of approved Cabinet Paper 59-58/4 constitute continuing instructions to members of the Cabinet and agency heads -- instructions which, in fact, will be particularly pertinent in the next six months. (See Section U-1 above).

2. The President's Staff Notes -- Review of Agency Participation

(7/17/59, RA 59-136, Item 2b)

The following is a statement of agency performance from July 1959 through June 1960:

AGENCY PERFORMANCE -- ITEMS SUBMITTED
JULY 1959 - JUNE 1960

AGENCY	ITEMS RECEIVED	NUMBER (in order of total submissions)
Defense	644	1
State	356	2
Commerce	147	3
USIA	95	4
Interior	35	5
NASA	85	6
AEC	69	7
ICA	65	8
Treasury	65	9
OCDM	60	10
Agriculture	49	11
HEW	42	12
GSA	40	13
Labor	40	14
VA	22	15
DLF	20	16
Budget	13	17
Justice	13	18
HHFA	10	19
FAA (from Jan '60)	6	20
Post Office	6	21
NSF	5	22
TOTAL	1937	
Previous Total (July '56 thru June '59)	6898	
4-YEAR TOTAL	8835	

3. Discontinuance of Verbatim Transcripts of Committee Meetings

(7/17/59, RA 59-136, Item A)

Cabinet action completed.

On July 24, 1959, the Secretary to the Cabinet followed up this Record of Action with a specific memorandum to the Committee Management Officers reminding them of the President's decision and requesting evidence of implementation. Agency replies indicated satisfactory implementation.

4. Greetings for Distinguished Visitors

(9/11/59, RA 59-139, Item 1)

Completed.

5. Cabinet Officers' Presence in Washington During Budgetary and Legislative Program Discussions

(11/6/59, RA 59-140, Item A)

A continuing request.

6. Remarks on the Steel Situation

(12/11/59, RA 59-143, Item A)

Cabinet action completed.

7. Investigation of Crimes Involving Government Officers and Employees

(12/18/59, RA - 59-144, Item 1)

Cabinet action completed.

The responsibility of Heads of Departments and Agencies to report to the Attorney General under Public Law 725 (and pursuant to his memorandum of November 13, 1959) is a continuing one. Compliance has reportedly improved since the Cabinet discussion.

8. Budget Policies

(1/22/60, RA 60-146, Item 3)

See Section L-6 above.

9. Cabinet Speaking Arrangements

(1/22/60, RA 60-146, Item 5)

A continuing request, particularly over the next three months. See Section V - 1 above.

10. Review of the Transportation Policy Report

(1/22/60, RA - 60-146, Item 6)

Completed. (See Section I-3 above).

11. Congressional Liaison

(1/22/60, RA 60-146, Item A2)

A continuing assignment.

12. FY 1960 Expenditures and Personnel Levels

(2/26/60, RA 60-147, Item 1)

Completed. (See Section L-7 above).

13. Campaigns

(3/4/60, RA 60-148, Item 1 (b))

Completed.

14. The Commission on National Goals

(3/11/60, RA 60-149, Item 2(b) & (c))

A continuing request.

15. Recommendations for Action from the President's Committee on Government Employment Policy

(12/18/59, RA 59-144, Item 2(c); 3/25/60, CP 60-107, RA-60-150, Item 1)

The Committee reports as follows:

Without trying to catalogue all that has happened in all of the agencies, a number of activities have come to the attention of the Committee which indicate positive action as a result of the Cabinet Paper:

1. The Training Division of the Department of State has asked for full copies of the format of the suggested three-hour training course for use as a guide.
2. The Department of Commerce, in May, set up a seminar for its Deputy Employment Policy Officers, which was held one hour each week for three weeks. The leadership was provided by the Executive Director of this Committee.
3. The Treasury Department has reported that it is currently preparing a communication to all of its field offices to put the Paper's recommendations into effect.
4. The Secretary of the Interior has released a memorandum to the heads of the bureaus and offices of that Department, stressing the need for supervisory training, the circularization of the Committee's materials, and calling for periodic reports from those bureaus.
5. The Federal Aviation Agency recently presented a two-hour seminar on the policy for top level supervisors of its own bureaus.

The recommendation most important to implement, and perhaps most difficult, is on the program of training.

16. Expenditures and Personnel

(4/29/60, RA 60-152, Item 2 (a) & (b).)

See Section L-9 above.

17. Platform Arrangements

(5/12/60, RA 60-153, Item A)

Completed.

18. Summit Developments

(5/26/60, RA 60-154, Item 1(b)3)

A continuing request.

19. Guidelines for the FY 1962 Budget

(6/3/60, RA 60-155, Item 1)

A continuing request between now and January. (See Section L-10 above).

20. Other General Actions Assignments which Continue in Force:

(From Section V on pages 25-26 of CI - 59-7/7:)

Section V-2 (subparagraph c)

Section V-3

Section V-6

Section V-8

Section V-9

Robert Gray
Secretary to the Cabinet

Richard M. Nixon

CONFIDENTIAL

AGENDA FOR CABINET MEETINGS

JANUARY 12-13, 1953

The South Room
Hotel Commodore
New York City

MONDAY, JANUARY 12

12:00 p.m.	Luncheon
1:30 p.m.	Schedule and arrangements for Inaugural Week. (Mr. Vandenberg or Mr. Stephens, with Mr. McCarraghy and a representative of the Congressional Inaugural Committee.)
2:15 p.m.	Schedule of action by Senate Committees and by the Senate on confirmation of Cabinet members and for the swearing-in of Cabinet members and their assistants.
2:45 p.m.	National Security Council. (Mr. Cutler.)
3:15 p.m.	Inaugural Address and State of the Union Message. (General Eisenhower, with Mr. Jackson, Mr. Hughes, Dr. Hauge.)

TUESDAY, JANUARY 13

✓ 9:30 a.m. Presentation of the Budget to the Committees of Congress. (Mr. Dodge.)

10:30 a.m. Discussion of the procedure on making appointments. (Governor Adams.)

- Appointment of an assistant in each department and agency as contact on personnel matters.
- File system established for applications for appointments.
- "Friendship with the General" as a qualification for appointment.

11:15 a.m. Discussion of policy relating to matters such as coordination of department and agency press relations with the White House, speaking appearances, receipt of gifts, TV, radio, etc. (General Eisenhower.)

12:30 p.m. Luncheon.

2:00 p.m. White House organization, staff and duties. (Governor Adams.)

2:15 p.m. Commission on Welfare Legislation.

2:45 p.m. Planning a Cold War Program. (Mr. Jackson.)

3:15 p.m. Reorganization Committee. (Mr. Rockefeller.)

3:45 p.m. Advertising Council Project. (Governor Adams.)

Handling of cases for friends —

LUNCHEON

MONDAY, JANUARY 12 1953

Herbert Brownell, Jr.	George M. Humphrey	Richard M. Nixon	Dwight D. Eisenhower	John Foster Dulles	Charles E. Wilson	Arthur E. Summerfield
Douglas McKay						Ezra Taft Benson
Sinclair Weeks						Martin P. Durkin
Sherman Adams						Henry Cabot Lodge, Jr.
Oveta Culp Hobby						Harold E. Stassen
Joseph M. Dodge						Wilton B. Persons
Gabriel Hauge						Emmet J. Hughes
Robert Cutler						Thomas Stephens
James C. Hagerty						

Tues: Add: C.D. Jackson
Major John Eisenhower (Lunch only)
Not Present: Robert Cutler

PROCEEDINGS

GENERAL EISENHOWER: My friends, if you will give me your attention, we are going to let the waiters go right on working while you go on eating, because I am going to slip in a little extra thing to break up the agenda before we get started. I am going to read to you now what I have prepared.

(The inaugural address was read by General Eisenhower.)

(Applause)

GENERAL EISENHOWER: I read it far more for your blue pencils than I did for your applause, because at first in our attempt to state a philosophy of government and of intent we were not close enough down to our daily living. So we have been gradually rewriting it, but it is very difficult to abandon in your own thinking and your own writing an original conception

One reason I wanted to read it now is so that you can think it over and be ready to tear it to pieces.

MR. WILSON: I think it is wonderful I am in favor of flying the flag pretty high

GENERAL EISENHOWER: I am, too I would get out and shout it out loud, but you have also got to bring basic principles down to our living, because here is this thing going out to probably one of the greatest audiences that has ever heard a speech. It is going in the papers. Here are thousands out in front of us. You want every person there to carry home with him a conviction that he can do something.

I don't blame the girls for losing my writing because I can't read it myself, if they wait a couple of hours, but I had in here in one place that peace rests squarely on, among other things, productivity, and I am pointing out that everybody can help in productivity. That is one of the factors of peace because it relieves pressures in the world that are favorable to Communism. I think it is still in here a little bit, but in my work at midnight I have gotten confused. That one I would like to get back in there, Mr. Hughes. You remember we have talked about it half a dozen times and it always eludes us.

We must point out something that is very important and where every man feels he can do a part. That is the reason for the preacher and the teacher and the mother in the home, but the workmen can help to produce something more to allay this starvation and distress in the world.

Now, if you will take this and make any of those editorial changes we are talking about I will appreciate it.

MR. WILSON: I have one little thing on productivity. It is the urge and the continuing effort to accomplish more with the same human effort. That is the basis of the thing. Sometimes people think productivity is sweating the boys more. That is not the thing.

GENERAL EISENHOWER: That is one reason we were afraid that anything we would say would leave the impression that we were preaching going back to the 48-hour week, or something like that. It does not mean that, but it does mean that when a fellow is working at his maximum capacity and efficiency, he is doing something, not just for his pocketbook or the profit of the country but the world.

MR. WILSON: A free society stimulates the efficiency of the millions. We should urge that we accomplish more with the same human effort for the good of all.

MR. BENSON: It is on a high plane and for the occasion it is very good. I think it is wonderful.

MR. DULLES: What will we do with any suggestions?

GENERAL EISENHOWER: We are going to have this up again at 3:15. I will probably give it to Emmet Hughes, and he can note on his own copy in the margins what changes are to be made so we can accumulate them and study them. We will not have time for each one of us to dictate to a secretary. After you go home if you happen to think of something that should go in we would be delighted. We still have a few days.

We want to keep it largely on a high spiritual plane with exhortation but at the same time trying to relate it to our everyday living.

MR. WILSON: I did not see anything I would want to change. When you started to talk about productivity being left out you gave me this other idea.

GENERAL EISENHOWER: We can get in something on that. I don't know how far we can explain it, but we can get over the idea that everybody who is contributing something to satisfy the basic human needs in this great world is doing something to promote peace. I think the man at a lathe ought to feel just as much satisfaction in doing his part and just as much responsibility for doing his part as a Senator.

Now, the first item on the agenda is one we will have Tom Stephens take over on. It is scheduled arrangements for inaugural week.

Some of you gentlemen were here with me when we agreed we would start a fashion where there was a little bit of flexibility for men's dress and we would appear, those who were here agreed, in striped trousers but we would have short coats or cutaways as we pleased and we would all wear dark homburgs and dark overcoats.

We got a bit of a blink from some of the Congressional delegations, saying they must wear the silk hats. They said

"If there is one thing this administration is, it is democratic, so you wear the silk hat, you be the silk hat boys." That is the way it stands now. They are going to be the silk hat boys and we will wear dark homburgs.

All men on formal occasions want some kind of uniformity. One fellow doesn't want to wear a bow tie like Jerry, and the others, let's say, in a rather somber or full dress. So if we have that much uniformity I think it is good enough.

Tradition is not involved. If we were going back to tradition we would wear tri-cornered hats and knee britches. We will not do that so we will do as we please otherwise.

MR. DODGE: Commonly called a club coat?

GENERAL EISENHOWER: That is right. It so happens I have both because a tailor made me a present of those.

MR. CUTLER: If Mrs. Hobby comes in knee britches I want to be in the front row.

GENERAL EISENHOWER: All right, Tommy, take over.

MR. STEPHENS: The activities during the four days of the innauguration are in two groups. First is the actual swearing in of the President and the Vice President and the other group is the activities and festivities before and after that.

On the first, the swearing in, that is done by the joint congressional committee which is headed by Senator Bridges, who unfortunately could not get here today, but Mark Trice, who is the secretary of the committee -- at least that may not be his title but he does most of the work on the committee, is here to explain just what the program is.

On the other, before and after, that is done by the Innaugural Committee, which is headed by Mr. McGarraghy, who is here. This whole thing starts on Saturday, does it not?

MR. McGARRAGHY: Yes, sir.

MR. STEPHENS: Will you explain just what happens then.

MR. McGARRAGHY: Very well, sir. On Saturday the only two events are the events under Republican National Committee and the League of Republican Women. At noon on Saturday the League of Republican Women is having a luncheon to which the wives of the cabinet officers are invited. That evening the Republican National Committee is having a dinner to which the members of the cabinet and their wives are invited as guests of honor.

I understand that is in connection with the meeting of the National Committee which will reorganize at that time. Our committee, of course, has nothing to do with that. I am merely mentioning it as a part of this four-day program.

On Sunday, January 19, our Committee on Religious Observance has arranged a series of religious programs in the morning at all of the churches of the capital. That committee is headed by Bishop O'Boyle and Bishop Dunn and Rabbi Gerstenfield. The official program commences in the afternoon at 3:30 with a reception for the Governors and other distinguished guests at the Statler Hotel, and that reception lasts from 3:30 until 6 o'clock. We are asking the members of the cabinet and their wives to be guests of honor at that.

At that occasion, of course, including Vice President and Mrs. Nixon. I understand that General Eisenhower and Mrs. Eisenhower will not be there.

GENERAL EISENHOWER: We will not be there.

MR. McGARRAGHY: On Sunday evening we are having a symphony concert at Constitution Hall as an official part of the innaugural program. There are no guest arrangements for that symphony concert, but seats are available to be purchased and I think all of the members of the cabinet have been informed of the arrangements for them.

Before I go further may I say to you that we will assign a military aide to each member of the cabinet who will be available to be of service to the members of the cabinet during the innaugural period. We have also arranged for automobile transportation to be assigned to each member of the cabinet during the innaugural period with appropriate chauffeurs and other services that are necessary. That will be made available from the time you arrive in Washington until the end of the innaugural period.

On Monday the only official innaugural program is the program that evening which we have referred to as the Innaugural Festival, which because of the size of it -- we find it necessary to have two performances. The first performance will be at 8 o'clock at the Uline Arena and the second performance will be at the Capitol Theater. The members of the cabinet and the leaders of the Congress, both the Senate and the House, are being invited as honor guests at those two occasions.

Probably the finest entertainment talent in the country will be there. Fred Waring will be there and the greatest stars both from New York and Hollywood. I think I should say to you that tickets for both events are completely sold out.

On Tuesday, the innaugural day, I understand that special religious services have been arranged for 9:30 that morning for General Eisenhower and the family.

GENERAL EISENHOWER: May I interrupt a second? I forgot to say that everybody here, with his wife or his family, is invited to that. I think it is coming out in a written form but that is 9:30 at the Presbyterian Church where Dr. ~~Ellison~~ E/son holds out and I have forgotten the name of it.

MR. McGARRAGHY: The National Presbyterian Church.

GENERAL EISENHOWER: That is at 9:30 on Tuesday morning. And there will be no one else there, by the way. It is especially for us. He tells me that two of the cabinet officers, I think, belong.

GOVERNOR ADAMS: Where is that church located?

MR. McGARRAGHY: At 18th and N Streets, near Connecticut. Abenue.

MR. STEPHENS: There is a written invitation going out, General Eisenhower.

GENERAL EISENHOWER: Mail sometimes goes astray and I wanted to make sure everyone understood that.

MR. McGARRAGHY: That service is scheduled to conclude at 9:50 and as I understand it, General and Mrs. Eisenhower will return to the Statler.

GENERAL EISENHOWER: That is right.

MR. McGARRAGHY: Members of the cabinet are free, so b4 long as they got to the Capitol in time for the innaugural ceremony there, which, of course, commences at noon. I think it would be well for you to get there as close to 11:30 as possible.

As far as the program at the Capitol is concerned, perhaps I should pass over that so Mr. Trice can take it up because that relates to the joint congressional committee and it is under its jurisdiction. The only thing I would like to mention is that at the conclusion of the program at the Capitol, the then President and Mrs. Eisenhower will be guests of honor at a joint luncheon of the committee, and the Vice President and Mrs. Nixon. The Innaugural Committee would like very much to have the members of the cabinet attend luncheon in another room at the Capitol prior to the parade, so that you will have luncheon until the parade gets underway. It will necessarily have to be a quick luncheon because we earnestly hope that the parade will start promptly at 1:30. The parade, I am sorry to say, is a little longer than we had planned, as always happens, and I am afraid it will take about two and three-quarter hours. Every State will be a participant in the parade. Most of the States will be represented by their Governors. Each State will have some participation in the way of a marching unit, a band, and probably a float. We tried as best we could to keep the parade down but in order to give what seemed to be necessary recognition to each of the States and also have a balanced parade between the civilians and the armed services, I don't believe that we can reduce it below the two and three-quarter hours that it will take to pass.

Of course, that means that it will not have passed the White House until about 5 o'clock.

In the reviewing stand in front of the Capitol --

MR. DULLES: Could I interrupt? You said luncheon for the members of the cabinet. Does that include wives?

b5 MR. McGARRAGHY: Yes, sir, and seats will be provided, as Mr. Trice will explain, for the members of the cabinet and their wives on the stand at the Capitol so that it will be convenient for them to go from their seats in to the Capitol where luncheon will be served.

GENERAL EISENHOWER: Let me ask you another question. Will the head of that parade be organized sufficiently ahead of time so that we can cut this luncheon hour even shorter and it will be ready to start? Speaking as one who has marched in one of the blankety-blank things and had to wait an hour on Pennsylvania Avenue while someone went up to lunch in the Treasury, I would very much like to help out several thousand people who will be waiting in the cold.

MR. McCARRAGHY: General Wright, the Commanding General of the Military District of Washington, will be the deputy marshal of the parade and the grans marshals will be General Durow, General Spaatz and General Kirk.

GENERAL EISENHOWER: If you can tell them to be a little bit on the alert, I would have a hunch that if we can start at 12 o'clock this meeting outside ought not to take over a half hour, had it? How long will that be?

GENERAL PERSONS: Between 15 and 16 minutes.

MR. McGARRAGHY: You will have some other things on the program, some music and so on.

MR. SUMMERFIELD: Shall I pass those agendas out?

MR. McGARRAGHY: I think it would be very nice if you would.

GENERAL EISENHOWER: If that congressional committee can seat us quickly I don't see why we can't have a bite and eat in 15 minutes because the poor devils who march in that parade are going to have nothing to eat at all.

MR. McGARRAGHY: We earnestly hope the parade will get under way at 1:30. It will help us very much if we can be sure of that happening.

GENERAL EISENHOWER: I would like to start it a little b6 sooner if we could.

MR. McGARRAGHY: We will be in position, sir, if it works out that way, to start before that.

GENERAL EISENHOWER: I think you ought to notify the people that we may be defeated but we will certainly try to be a little ahead of it.

MR. DODGE: General, may I ask a question? You see, there is a break after the church service. He spoke about being at the Capitol at 11:30. Is there some particular place to go?

MR. McGARRAGHY: They have provided a place at the Capitol where the cabinet members will assemble before they go on the President's platform.

GENERAL EISENHOWER: All right, go ahead.

MR. McGARRAGHY: At the White House there is a central section of the reviewing stand referred to as the President's pavillion which accommodates a very small number of people and tickets are being provided for that for each cabinet member and his wife. The others who will occupy that platform are the members of the Supreme Court, members of the cabinet, the members of the Joint Congressional Committee, and we have invited but do not yet know if they will attend General MacArthur and Admiral Nimitz and General George Marshall and Admiral Halsey and Admiral King, the Five-Star Generals and Admirals of the last war. If they do attend they will also be provided seats in that section.

I think that about covers the official group.

GENERAL EISENHOWER: How about Mr. Hoover?

MR. McGARRAGHY: I beg your pardon. Mr. Hoover will be there. Mr. Hoover also is being provided seats at the Capitol and is also participating in the Inaugural parade as a part of the presidential section.

GENERAL EISENHOWER: I invited him personally. He told me he had been asked by the congressional group.

b8

MR. McGARRAGHY: He plans to be there only that day. He is arriving on Monday and leaving at 6 o'clock Tuesday afternoon. I think that covers up to the parade and the stand in front of the parade.

We expect the parade to end about 5 o'clock. From then on we go to the ball. We have no program between the end of the parade and the Inaugural Ball. With respect to the ball, the pressure for tickets came so great that frankly I don't think we are even going to respond to it now but we are having the ball in two locations. At the National Guard Armory and at the McDonald Auditorium in Georgetown. We hope that each ball will have equal dignity and will be equally desirable places to go. The McDonald Auditorium does not accommodate as many as the Armory but it does accommodate quite a large number of people. In order to give it the quality, we are dividing the delegations between the two places.

In other words, one half of the States will be at one ball and one half will be at the other. It starts with Governors of the States and includes the congressional delegations and the delegations from the States who have reserved tickets through their State representatives. The members of the diplomatic corps likewise will be divided one half at one ball and one half at the other. I am delighted that the dean of the diplomatic corps has been willing to assume the responsibility of deciding which will attend which ball.

With respect to the President and Vice President and their wives and members of the cabinet, it is planned that they shall attend both. It is understood that President and Mrs. Eisenhower will attend one ball and after being there for a time will then go to the other ball. We hope that the members of the cabinet will do the same. We have a question, since they will not be going as one party, as to how we can get from the Armory to the auditorium, which is the other side of the city.

b9

We have had two suggestions, one that the members of the cabinet leave the first place a little ahead of the presidential party so as to be at the other place when the presidential party arrives. I think the better judgment is, if the President is agreeable, that the members of the cabinet leave the first place after the President's party has left but only by a minute or so, with the understanding that the President and Mrs. Eisenhower would be received at the other place and stay in the receiving room perhaps a matter of five or ten minutes until the cabinet has arrived at the second place. That seems to be the more feasible of the two arrangements, so that the members of the cabinet will not have left the first place while the President and Mrs. Eisenhower are still there.

GENERAL EISENHOWER: Your scheme is to handle them all in one group, not to divide them half and half and in the middle of the things trade them?

MR. McGARRAGHY: No, sir, they will all be to go first at one place and then at the other so that the members of the cabinet will be with you, sir, at all times.

GENERAL EISENHOWER: I see.

MR. McGARRAGHY: That ball will probably be the most brilliant ball ever held in Washington, with some of the finest entertainment and greatest name bands participating. It will run, I think, until 2 or 3 o'clock in the morning and that will conclude our inaugural program.

MR. LODGE: Where do we go for tickets?

MR. McGARRAGHY: We are providing for each member of the cabinet a box.

MR. LODGE: Tickets for everything, for the reviewing stand and so on?

MR. McGARRAGHY: We will have the tickets delivered to you by the aide assigned to you. I think Mr. Trice is arranging

10 for distribution of tickets at the Capitol but they will all be delivered to you. You need not bother about going for them. We will see that they get out.

GENERAL EISENHOWER: Have you already determined which ball you want us to go to first? Is that arranged?

MR. McGARRAGHY: We have determined it, sir.

GENERAL EISENHOWER: If there is only one that public opinion is apt to rate as second in priority, I would say let's all get to that one and stay longer than we do at the other one.

MR. WILSON: We will do that one first.

MR. McGARRAGHY: I am not sure that it is feasible to go there first. The Georgetown auditorium is smaller than the Armory, but I think it will be quite appropriate to stay longer at the other one so it will not be considered as second class.

GENERAL EISENHOWER: As far as you are concerned you have tried to make them absolutely equal?

MR. McGARRAGHY: Yes, sir, not only with respect to equal distribution of the State representatives, but also the program. The decoration will be precisely the same at both places. McDonald Auditorium is somewhat smaller but it really is more attractive than the Armory. The Armory is too large.

GENERAL EISENHOWER: Does anyone else have questions?

MR. STEPHENS: Are the cabinet members supposed to go to both of these festivals?

MR. McGARRAGHY: We would like them to go to both on Monday night because it is planned that they will be introduced.

MR. STEPHENS: Would they move in a group as they would to the ball?

MR. McGARRAGHY: From the Uline Arena to the Capitol Theater we could move them in a body.

MR. SUMMERFIELD: The special church service is for Tuesday morning?

b11 MR. McGARRAGHY: In that connection I think you will be interested in knowing that in addition to the services which General Eisenhower and his family will attend, churches all over the country are planning special church services to be held at the same time. It has become a nation-wide religious observance so that people all over the country will be attending their churches at the same time that General Eisenhower and his family are attending his church services.

MR. NIXON: Will that be the only service in Washington?

MR. McGARRAGHY: No, there will be church services in other churches at the same time for the public.

GENERAL EISENHOWER: As a matter of fact, Ivy Priest told me they were trying to open up all the churches in the country as well as in Washington at that same hour.

MR. McGARRAGHY: They are going to do that. It is sort of a spontaneous movement all over the country where the religious leaders have come in with the suggestion of such a service.

GENERAL EISENHOWER: I must say if anyone present has any scruples about this particular church or if they should go on account of their religion to another church, it will be satisfactory. I am putting no pressure on you. But it is purely and simply an invitation, to be accepted if you so choose. I am going to be there and my family is going to be there.

MR. McGARRAGHY: May I make one further statement? I am afraid when I referred to the cabinet I didn't make it comprehensive enough. We also include, of course, Mrs. Hobby and Governor Stassen and Mr. Lodge and Governor Adams and so on.

GENERAL EISENHOWER: You are absolutely marvelous. I just asked that question a moment ago. I like answers that are given before I ask the questions.

MR. McGARRAGHY: That also includes your participation in the parade as a part of the presidential section, with your b12 wives.

MR. WEEKS: Could I ask a question? The service Tuesday morning for your family, does that mean our families?

GENERAL EISENHOWER: You can bring your children or anyone of your immediate family. They can take care of a couple of thousand and at the outside there will be no more than 200 or 300 and you can bring your nieces and nephews if you want to, just so long as they belong to you.

MR. SUMMERFIELD: There have been no tickets delivered as yet, is that correct?

MR. McGARRAGHY: That is correct, for any of the services.

GENERAL EISENHOWER: I must tell you one thing. Mrs. Eisenhower and I got a nice invitation to the inaugural saying RSVP and I told her to answer it and say we had another engagement.

I think we will take a recess for about five minutes and then we will listen to the next part of the matters to be discussed.

(A short recess was taken.)

GENERAL EISENHOWER: All right, Mr. Trice, go ahead.

MR. TRICE: Mr. President, Mr. Vice President, and ladies and gentlemen. The Joint Congressional Inaugural Committee, which comprises three Senators and three members of the House -- I presume you are not interested in the names -- will first take over their operation of the inaugural by calling for the President-Elect and Mrs. Eisenhower at the Statler at 11:20 on the morning of the 20th. That is in order to have them arrive at the White House at 11:30 at the request of the Secret Service. Then proceed from there with the Vice President-Elect and Mrs. Nixon, the present Vice President, Mr. Barkley, and Mrs. Barkley, and Truman and Mrs. Truman.

They will then change cars, with the exception of the first car which will call for you, General, and that will be the White House car under the present arrangement.

After we arrive at the Capitol at approximately thirteen minutes of twelve, you will be escorted to the small room adjacent to the Rotunda where you will wait until approximately twelee o'clock, from which point you will be escorted to the platform by the members of the Joint Congressional Committee.

Prior to that time the other dignitaries will have assembled on the platform and you, of course, will be the last one to enter the scene and be ready to start.

We hope to have the program start exactly at twelve o'clock. If that is true, so far as the first part of the program is concerned and if your speech is only fifteen minutes, it should be concluded pretty close to 12:30.

In case you are interested in exactly what takes place on the platform, this is it. The Marine Band will play a selection, which has not been determined, as you enter the scene. Then there will be an invocation by Archbishop O'Boyle.

There will be then a solo, The Star Spangled Banner, by Dorothy Meyna.

The Vice-President-Elect will then assume his position and the Marine Band will sound ruffles. Senator Knowland will administer the oath to Senator Nixon, after which there will be a solo by Eugene Connelly, America the Beautiful. Then there will be a prayer by Rabbi Silver.

The President-Elect will then assume his position. The Marine Band will sound ruffles. Chief Justice Vinson will administer the oath. Then will be your address, after which will be a benediction by Bishop Sherrill. The Marine Band will play The Star Spangled Banner, which completes the ceremony.

Immediately following the Star Spangled Banner, you will be escorted, with Mrs. Eisenhower, by the Joint Committee to the Office of the Secretary of the Senate, where we plan to arrange the luncheon.

That luncheon now includes the guests, those members of your immediate family sitting on the platform, those members of Senator Nixon's family, the members of the Joint Committee and their wives, and only two additional members, namely, ex-President Hoover, and we thought it wise to include Chief Justice Vinson and Mrs. Vinson, as well as, which was added yesterday, Senator KNowland and Mrs. KNowland, because they are participating in the ceremonies, too.

I see no reason at that point why -- although Joe is a bit worried -- if the services on the platform are concluded at 12:30 the parade should not start pretty close to 1:30.

GENERAL EISENHOWER: As far as I am concerned, I don't see any reason why it can't start pretty close to one.

MR. TRICE: It depends on how fast you eat.

GENERAL EISENHOWER: It gets very dark. Let me tell you something. I know more about this parade business than most people. You put all those people there all day long, standing in the cold, and finally they march past the reviewing stand when darkness has hit us, and particularly if it is a cloudy day, they say all of their preparation and work is gone and you have made some enemies. If we have allowed them to be there we ought to get them past in daylight hours if we possibly could.

To my mind it is a little too bad we didn't start the thing at eleven instead of twelve. But I will tell you what. I will guarantee that my wife and I will swallow our lunch in a hurry to be ready.

MR. TRICE: Of course you couldn't start at eleven because you have to wait until the stroke of twelve to get the ceremony started because the Presidential oath goes up to twelve noon on January 20.

GENERAL EISENHOWER: Couldn't we have the oath the last thing instead of the first? Anyway, you have been guilty of setting the clock up or back before. That is all right, but if they say the parade will start then I will be ready.

While I have interrupted le me say one more thing. Somebody very kindly ordered my son home from Korea, so to whatever party you have add one Major of Infantry, will you?

MR. TRICE: That has already been done. I might say in calling for you the committee splits up in the morning to call for the various participants, and Senator Bridges and Joe Martin will call for you.

That is about all I have to say except that the members of the Cabinet will sit on the immediate platform and their wives will sit in Section 3, which is immediately behind, so that they will be conveniently located and they can then pick them up and take them to the luncheon inside the building.

So far as all other appointments to date, we are also taking care of them in Section 2, and their wives will receive a ticket to the lower platform. I think we have covered your official family as well as we could.

GENERAL EISENHOWER: There will be plenty of people there when they get there to say, "Here, you go here," and "You go there," and so on.

MR. TRICE: Then after the luncheon and the start of the parade going back down the Avenue, you and Mrs. Eisenhower and Senator Bridges will start in the first car, according to our plan, and then the various other dignitaries will follow, the Vice-President and Mrs. Nixon and Senator Welker and Speaker Martin, and on down.

GOVERNOR ADAMS: What happened to the representative of the Greek Orthodox Church? Did you ever hear anything about that?

MR. TRICE: I heard quite a bit about that.

GENERAL EISENHOWER: They told us that the Greeks are one nation that has always voted Republican.

MR. TRICE: A very courteous wire was sent to the gentleman saying that the program had been formulated and everything had been closed out and we regretted our inability to include them.

GENERAL EISENHOWER: Someone from your group suggested that they might have an extra prayer thrown in as they worked over the Vice President, and I thought that was a good suggestion.

MR. DULLES: The Greek Orthodox Church, as I recall, is a participant in the National Council of Churches, whose president will be taking part in the ceremonies.

GOVERNOR ADAMS: They made quite a point of it.

MR. DULLES: If you start to split up all the denominations you will get in trouble.

MR. TRICE: I might say on that point you will recall at the start that we had four preachers in the program as it was, and from the shortness and the briefness of the program I took the position that there was a little too much prayer in there for the good of the over-all picture.

GENERAL EISENHOWER: That is right. We tried to get a Negro preacher.

MR. TRICE: That is right.

GENERAL EISENHOWER: Do we have a Negro in any prominent part?

MR. TRICE: Dorothy Meyna will be the singer of The Star Spangled Banner.

MR. HUMPHREY: Do our wives ride with us?

MR. McGARRAGHY: Your wives ride with you in the parade from the stand to the White House.

GENERAL EISENHOWER: You should all know that Senator Taft told me this morning they have been discussing this business of the swearing in of the Cabinet, and I understood that included all that I call the Cabinet rather than just the official Cabinet. They had been discussing their confirmation at the same time that I am sworn in, or roughly then.

The Democrats have agreed that with the opportunity to question those people during this coming week, casually, I think more as a courtesy visit than anything else, but they want to carry out the advice and consent of the Senate, that they would go ahead with that without objection. Apparently Senator Byrd withdrew his original objection. So it is possible that you people may lose a little bit of your lunch hour, however short, to take an oath.

MR. HAGERTY: General, this morning at the press conference Senator Taft and Senator Knowland, after they left your office, with Senator Millikan, said they thought the Senate would be convened immediately after your inauguration to confirm the members of your Cabinet.

GENERAL EISENHOWER: I was talking of when they will be sworn in. That is an undetermined detail, as far as I am concerned.

MR. NIXON: That would mean so that they could make their plans that they actually then would have to skip the luncheon.

MR. WILSON: We might eat box lunches in the box stand.

MR. NIXON: They don't have to attend the session. It is a session of the Senate.

MR. McGARRAGHY: But you do have the time taken in swearing them in, which could be a little while.

GENERAL EISENHOWER: I imagine the idea would be to swear them in as a group, wouldn't it?

MR. McGARRAGHY: I think that will take a little time. I am concerned about this parade starting on time.

MR. SUMMERFIELD: Where will the swearing in be done?

MR. McGARRAGHY: We would have to find a place up in the Capitol.

GENERAL EISENHOWER: We could do it after the parade, if they liked.

MR. McGARRAGHY: I personally think it would be better after the parade to go in the White House and have the ceremony there.

GENERAL EISENHOWER: We will step in the East Room right after the parade.

MR. TRICE: I would like to say one further thing. That is, so far as the members of the Cabinet are concerned, the program calls for them to assemble in the President's Room, and while no time is given we would like to have them there around eleven o'clock or shortly afterward, and they will be escorted from there in a group out to the main platform.

Here is one of our package deals with a program and the invitation. I thought you might like it to keep.

GENERAL EISENHOWER: Yes, I would.

MR. DULLES: Are we supposed to remember all these things you tell us?

MR. TRICE: No. Your tickets and instructions will be sent to you.

MR. SUMMERFIELD: Where is the President's Room?

MR. TRICE: That is right off the Senate Chambers.

GENERAL EISENHOWER: You know, it is entirely possible that in spite of this confirmation that day many of you might like, for some intimate family or other reasons, to be sworn in in your own offices the next day. I have known Cabinet officers who wanted to do that so they could invite quite a group of their families.

If we tried to do it after the parade we would have to limit the group almost to your wives because there would be no great measures taken for the reception of so many for the ceremony.

MR. BENSON: I understood that that had been the question and that would probably be followed, that we would be sworn in at the departments.

GENERAL EISENHOWER: You can do as you please. If everyone wanted to come in after the parade I would invite you in.

MR. WEEKS: Is there an opportunity of having your children present?

GENERAL EISENHOWER: The only thing is, if you bring in too big a group, I don't know how many that East Room will hold. I have forgotten. I think it is a room about this size. It would probably be a little bit uncomfortable.

MR. WILSON: There has been some discussion in my particular part of it whether we would be sworn in in the Pentagon. Lovett thought that was the practice. I don't know whether it is or not.

GENERAL EISENHOWER: After all, there has not been a change in administration for a long time. But what I am getting at is this: This time a whole Cabinet is changed, a whole government. So you have a little different story than you have had since 1933. We will just have to decide on that. If you people think that in general it would be better to handle it individually it is okay with me. We have a couple of days to think that one over, I should think. You might call up Sherman Adams and tell him, or tell him before you leave here tomorrow evening.

MR. DURKIN: I am for the President swearing in the Cabinet. That was done in '33.

MR. HUMPHREY: I would be in favor of just going right over with our wives after the parade and getting it done.

GENERAL EISENHOWER: I would say to bring any immediate members of your family, and as far as I am concerned that could include brothers and sisters and your own children. Certainly we can handle that many in the White House.

MR. BENSON: I think that would simplify it.

GENERAL EISENHOWER: Your own children and their wives. I wouldn't want to start off by starting a family row around here.

MR. WILSON: I think that is a good idea.

GENERAL EISENHOWER: In my own behalf, maybe I had better extend that to grandchildren. Mine is only five years old, but I am certainly not going to exclude him.

Thank you very much, Mr. Trice and Mr. McGarraghy. You have been most kind and helpful.

All right, Bobby, you are fifteen minutes late so go ahead.

MR. CUTLER: The President has announced that he will name me as an administrative assistant. This position is one in which the occupant has a passion for anonymity and makes no speeches except when ordered by the Cabinet or the President. Those of you who have known me more intimately will be all the more conscious that the General's election has conferred a great boon on the United States to have a speechless Cutler.

In his press release the General described my particular task in these words: "His special responsibilities will relate to the National Security Council and coordinating the work of the various departments and agencies with the Council's function."

In order to describe my task may I first describe briefly to you in lay language what the National Security Council is, knowing that most of you know something about it but perhaps not all of you know all about it.

Its function is to advise the President on matters of national security. It is the highest organ in Government for forming national policy and in this respect it is a part of the Executive organization.

Its origin was in the statute of 1947 setting up the defense establishment. Jim Forrestal felt that the great diffusion of our Government, also some deterioration in the policy-making functions of the Cabinet, had required that there be at the top level of Government some smaller body capable of forming national policy. Thus the National Security Council is a statutory body.

Its membership consists of the President of the United States as Chairman, the Vice President, the Secretary of State, the Secretary of Defense, the Director of the Mutual Security Administration, and the Director of the National Security Resources Board.

By statute, other members may be appointed by the President to the National Security Council by and with the advice of the Senate.

Those who were in the Senate at the time will remember the cause of this rather curious little addition to the statute when Mr. Wahlgren's name was under consideration.

Still further people may sit with the Council when designated by the President of the United States, not as members but sit with it.

At the present time President Truman has designated the Secretary of the Treasury and the Director of the Office of Defense Mobilization, and they regularly sit with but not as members.

Others who always attend the meetings are the Chairman of the Joint Chiefs of Staff and the Director of the Central Intelligence Agency.

The Council meets Wednesdays regularly at 3:30 in the Cabinet office. The President presides, and Mr. Truman has at least been a quite regular attendant at the meetings of the Council.

The staff of the Council is very limited in number. It consists of an executive secretary, Jimmy Lay, the present one, who was appointed by the President, has no special tenure.

The other members of the staff, including the deputy secretary, are appointed by the executive secretary.

Naturally the material which they deal with is of the very highest classification. It is mostly all top secret or above. These people are very carefully screened and gone over with a fine-toothed comb to make sure that they are reliable people. The original concept was that there might be a hard corps of perhaps a permanent staff who would carry on with the National Security Council.

The offices of the Council are in what used to be known as the Old State Building but is now called the Executive Office Building, directly across from the White House offices, and you will find Robert Cutler in Room 224 starting on the evening of the 19th of January.

May I say a word as to how the National Security Council operates, so that those of you who are not familiar with its operations will have at least a picture of how it was operated in the past.

Let me take as an example one small policy issue that came up when I was sitting as deputy director of the Psychological Strategy Board as a member of the senior staff of the National Security Council in 1951.

A question arose as to the national policy with reference to Switzerland. We were having more and more economic business with Switzerland, and Switzerland, of course, was at the anchor of NATO, and the question was, should the policy be changed.

A question of this kind may originate with the President or some affected department or agency or it may originate with the staff of the National Security Council. On this question the executive secretary formed what is called a steering committee, with personnel chosen from each of the departments and agencies that were most interested in the Swiss question.

This steering committee met several times to delimit the issues, what are we trying to solve here. When the issues had been stated by the steering committee composed of the affected agencies and departments, those issues were sent to a drafting committee to prepare the basic paper. When the basic paper had been approved, at least tentatively, by the steering committee, then the paper was sent to the members of the senior staff of the National Security Council a few days in advance of one of the senior staff's bi-weekly meetings, to be considered and discussed at the forthcoming meeting.

The senior staff consists at the present time of some thirteen members, all of the principal agencies and departments having members on it. There are some very distinguished and able men who have served as members of the senior staff and who now serve.

Mr. Allen Dulles is one of the members of the senior staff. Robert Cutler was one for a short time until they found out about him. Chip Boland has been a member. General Wedemeyer has been a member. It really has called some extraordinarily able men. Frank Nash of the present defense establishment is an extremely able and intelligent fellow. Admiral Wooldridge from the Joint Chiefs of Staff was on it. These people, having studied the paper and having their staffs study it and bring up suggestions, then meet in the senior staff room and go over the paper.

I can assure you they go over it in the greatest detail. Some of the meetings when I was there lasted four or five hours. The paper is re-worked and finally it is reconsidered by the senior staff. When it is in final shape, then it is taken up and put on the agenda for the National Security Council meeting next following.

Three things may then happen. The President may approve it, the President may disapprove it and send it back into limbo, or the President may think it needs further study and send it back to the senior staff to be given further attention.

Far too often I fear in the past the matters have been rather pro forma at the Council meetings and approval has been granted without sufficient intellectual cerebration.

There are many faults with the Council. I don't think I need to tell you what all of them are. Perhaps one of the principal problems is the Council's success. This vital organ at the top of government depends upon the ability of the presiding officer. That is one of the things we have to consider. The second thing that makes the Council go is the conception of the executive of his duty. These are subjects without Robert Cutler expressing them, but I am merely trying to give you a resume of what the President has said to me.

If you have an executive secretary or executive director who conceives of his duties merely as being an umpire and a referee, then the Council deliberations tend to become in the lower levels before they reach the President's desk more and more a status of compromise and getting something done that really does not represent anybody's firm opinion. I think we must consider the advisability, perhaps, of introducing a little black snake whip in the executive hands in order to get things done more positively at the lower level.

At the upper level you have to consider the extraordinarily busy lives of the Cabinet members who are members of the National Security Council, burdened with their great departments.

The President, if I may refer to him now as the President without any bad luck, in his speech at Baltimore, which was one of the speeches where he addressed himself to the National Security Council, pointed out that it might be advisable to introduce to the National Security Council, in addition to the Cabinet ministers, individuals well qualified in civilian life who do not have departmental responsibilities. There is a consideration which we have to study and think about.

In his San Francisco speech he dwelt at still greater length on the area of the National Security Council and the area of psychological strategy. Psychological strategy is a five-dollar phrase which frightens most people, and the President in his San Francisco speech defined it in this way: "Every significant act of government should be so timed and so directed at a principal target and so related to other governmental actions that it will produce the maximum effect."

Now, there is a splendid, clear definition of what we mean when we talk about psychological or cold war strategy, bringing all of the forces of government to bear on the target with one blow instead of firing off a lot of shots indiscriminately.

He also referred to concerted action "under an over-all scheme of strategy," and concluded that speech with these words: "The function of psychological strategy may best be worked out through a revitalized and reconstructed National Security Council."

In recent talks with the President he has expressed what to me is the most significant and interesting view of this matter, that there is a dual aspect to this function of forming national policy. It is not only that you form the policy, which God knows is important enough to a nation like ours in this death struggle, but that you have the people of the world understand the policy after it has been formed. Both are equally important.

You can make the best Chevrolet in the world, but if the public does not understand it they might go out and buy a Hudson. So you have these two aspects.

Now, the function of the National Security Council is the first function. It formulates the national policy and sees that the departments which are supposed to carry it out have a fishhook stuck in them so that they do something about it, and not, as has been too much the custom along the Potomac, to my experience, just become the policy, and there it is over there.

That is the National Security Council, forming the policy and following it up to see that it gets carried out.

The other aspect of the function is to make the people of the world understand what this policy is that the American people have adopted.

Tomorrow you are going to hear from Mr. C. D. Jackson. I very much hope -- maybe I am talking out of turn -- that the second function will be entrusted in some way that is not yet settled in the hands of that skillful fellow. I have tried not to talk about his side of the subject except that it impinges and is parallel to the function of the National Security Council.

My job during the next two months as an administrative assistant with these special duties is to study carefully the way the National Security Council is working today. Perhaps I will find that some of my thoughts from 1951 are not as clear and accurate as I thought.

I shall study also with C. D. the relation of the Psychological Strategy Board to the Council. I shall study the National Security papers, the policy papers that are now in effect and that are on the agenda coming up. There are forty or fifty all the time on the agenda pressing to be heard by the Council.

I shall be a member of the commission about which some of you have read in the newspapers headed by Mr. W. H. Jackson, the former deputy of the CIA, which is to study the whole psychological cold war effort of the United States.

In the course of these two months -- I hope it wouldn't kill me in two months -- but let's say by Easter day, which would be a good time to have a re-birth for the National Security Council, we will be able to submit to the President a program for bettering and making work this intensely important body to form and pursue the policy of the United States and explain it to the world at large.

Because I have spoken with some enthusiasm on this subject and I see Mr. Dulles looking very doubtfully at me, please don't think that although I am an enthusiast I am as much of a damned fool as I look.

I propose in my aspirations to take the counsel of many wiser and older people than I am, people who have been experienced in this field, because the only way you can really understand the problem is first to have been bathed in it yourself, as I have, and then to talk with the men who really understand its workings and how it may be improved.

I believe everything the President tells me, and therefore I believed him when he said that this was in his opinion a very important position, worthy of leaving even a national bank, let alone a fiduciary institution, and I believe that it can be made to work.

I think Jim Forrestal had a great idea when he dreamed of the National Security Council.

You will find this speechless individual with a passion for anonymity coming to see you probably quite often during the next two months asking you for your advice, asking you to put the best personnel that you have, not some old hack or somebody who has to be given a job, on this Board because this thing must work. We will have a wonderful Cabinet and a wonderful President, but if we don't formulate our national policy effectively and quickly and in a rounded, unified, coherent sort of way and have the world understand what we are trying to do, we won't have done the job that we have got to do for the President.

I have made the exposition I was told to make. If I hesitate to answer questions about how we are going to solve the problem, it is because I have learned as a fiduciary that you don't try to answer the questions until you have studied the problem a little more. But I will try to answer any that are asked me.

GENERAL EISENHOWER: This is a subject in which I am vitally and deeply interested. I want to make a few things clear. Because there is a National Security Council does not mean that any member of the Cabinet or any of these other members present who, in my mind, function as Cabinet officials, no matter what the law says, are excused from their part of the responsibility in making policy.

We have had in this complex world of today problems arising that defy solution unless we can keep them pretty close under the hands and in the brains of people who are definitely concerned with their execution.

The Security Council's charter does not exclude it from considering domestic policy. On the contrary, it includes it because, necessarily, it must consider domestic policy when it talks about foreign policy.

This idea has really been developed in order to handle this relationship between security problems and foreign relations. They are really one and the same. That is the reason it was set up.

H1 I want to point this out. Every one of these problems will be of the character that comes before the Cabinet before final decision is reached in the Security Council and then will be brought back to the Cabinet, so that if there is any real objection or someone can uncover a part of the subject that has been neglected it will be brought out at that moment.

In effect, the Security Council from the standpoint of the Cabinet is an executive committee with its special attention directed toward foreign problems including the security element and mutual assistance, and all of that. It is not a separate body or a super Cabinet. That I give on my personal assurance so that you will not feel that you are relieved of any responsibility.

I have attended in the past a number of Cabinet meetings, and this gives me a good chance to express a very definite opinion in front of all of you.

I have gone there as a specialist to talk about the European problem or a military problem of some kind. Sometimes I have had to sit while the Cabinet, so-called, went through its gyrations, and there is certainly no more charitable word that you could use with respect to what I have seen.

My hope will be to make this a policy body, to bring before you and for you to bring up subjects that are worthy of this body as a whole.

The Security Council, therefore, is only dealing in one field, largely, with the same kind of job that you are going to be doing in Cabinet meetings.

We will not have those meetings, generally speaking, to deal with the coordination of patronage and all of the other things that are, after all, what you might call some of the auxiliary or ancillary functions of government and not the true functions of a group of people such as this will form.

Also because Mr. Cutler has just gotten up and given this dissertation it gives me the opportunity to say in front of all of you that there are certain positions that I have filled on the theory that those positions are equally important with any Cabinet position that we have.

The heads of those activities are here today. The reason for considering them so is to get people who can walk into the offices of any one of you and say, "Bill, this thing is wrong. We have got to do something."

They have in some of these positions down in Washington now men who are, at least in one or two instances that I know of, scarcely above the clerical level or, we will say, secretarial or stenographic-secretarial class. Therefore, they cannot bring these problems to the attention of Cabinet officers and get something done on them.

What I want you people to think of the Security Council is that it is a body that for you, as well as for me, in your combined responsibility as the executive directors of all of the government departments, is doing a job. Therefore, whenever there is something coming up before you that relates, let us say, to Commerce or to Labor, to whatever function you have, you are there and involved.

It is an executive committee, and that is the reason that I have asked a man to leave such an important position as -- I can't use that word, Bobby. I can't say fiduciary. But in any event I felt justified in asking him to be the executive secretary of that body. I hope to call in the best civilian brains to sit with that group.

Remember, almost every great organism of the world today has found it necessary to organize a line organization, that is, the directors, the heads of operating organisms like the Department of Commerce. You have the Secretary of Commerce at the head of it. He has a great group of people all the way down to representatives in numbers of cities doing a job. But he is doing that job presumably for the United States of America.

How, therefore, before he starts does he make certain that everything he is going to do through that group is properly coordinated with Labor, with Agriculture, with Defense and State, and all the way around? There has got to be a way of doing it.

In weekly Cabinet meetings with a body of this size we know we can't bring up every subject that appeals to everybody here and get that done. This is a very, very difficult job and our success here is going to determine the success of this administration.

I hope that before we have gone very long each one of you will consider the rest of you here your very best friends in the world so you can call up and do your own coordinating. That is the perfect way.

However, there are always some of these things that have to come up for further study, and the National Security Council will do it. They will bring in all the people necessary, including you people, and don't for any one second ever believe that by the organization of the National Security Council you, as an individual in charge of your department or your service or your activity, have been relieved of one iota of responsibility. Not at all. It is merely an organism to help us get together and do things so that the old left hand knows what the old right hand is doing. That is the chore.

Does anyone wish to address any questions to Bobby on this?

MR. CUTLER: I was looking around the table. The only people that I see here that I do not remember having representatives on the senior staff when I was sitting there are, of course, the United Nations, and I don't think Post Office did unless there was some special question, but sitting regularly on the thirteen members of the senior staff. I can't remember that Interior did. It is more of a domestic problem, perhaps. But if we came into the question of trustee islands, then we certainly would.

GENERAL EISENHOWER: He will be around to see you. What I would like to get over at this moment is if he comes around and says he wants a date get him in quick because it is bound to be important.

I have read the inaugural address, and you will have your criticisms on it. I would like now, with Emmet Hughes, to have anyone who wishes to talk about the thing in either a general or specific way. Then we will not take up this State of the Union message. We will make that the first matter of business in the morning. We have a little more time than we thought.

I can deliver that speech the 27th, I think they said.

We ought to take up, for example, reorganization. Senator Ferguson and Congressman Brown came to see me this morning. They have their hearts set on introducing a commission in the pattern of the Hoover Commission to handle this problem.

I told them that I thought it was an error and I gave them specifically as reasons that if we wait for the report of a commission we will never get any reorganization done. They want to word their resolution, they told me, so that it will be backing up, supporting and giving widespread public support from the beginning for what we try to do.

I told them I was very much afraid they were going to give the Congressmen this chance to say, "Well now, we have got a whole commission working on this thing, so let's just hold this up and not worry about it."

But there is this about it: They did promise to extend the reorganization act. Anything we do under that forces them to take positive action to stop it. You will remember the law is so written. So they say, and they hold up their right hands, they believe this will support rather than conflict with that authority.

I did not tell them I would agree with them. As a matter of fact, all the way through I tried to discourage them but I did tell them I would put it up to you people.

Specifically they told me they would talk to you, Joe, and I said whatever we decide in the course of today and tomorrow in talking about this thing, that our views will be represented to them through you, Joe. They say they don't want to get in any dog fight with us, and I believe them.

I have no doubt that there are people among us here who could convince this group, if we decided it was best, that they are wrong. I am sure Clarence Brown really wants to do what is right in this thing. He doesn't like to turn around in the middle of his course, I think, and he has talked about this commission for so long that he feels it would be a desertion of his ideas if he didn't support it. But he does want to support, at the same time, the things we want to do.

I told him we had had the Hoover Commission studied by the Temple University. This little informal committee is working, at my request, to extend that and bring it down to today and is dealing with functions as well as with forms of government. Then that whole thing is coming back to that group in your office that is supposed to deal with organization and management at all times. I went through the whole thing and how we hope to put all of these things one at a time before them.

They both say that they urge early reorganization. Let's say we want to eliminate ODM and just have the National Resources Board and the chairman absorb those functions, that we want to eliminate this or that or the other thing. By taking the trouble to keep this commission of theirs informed and bringing down their approval along with our own convictions that we will have a very great public support, will be the best thing.

I am not so certain that some of you people are not better informed than I as to the vagaries of public opinion on political matters. I am no politician, as you well know. But it is something we have to think about because those two men have both introduced their resolutions and they just act like they are new-born children. In other words, they are definitely committed to wanting to do it. So we are going to have to do a little solid thinking on that one before we leave.

There are two or three instances in which we, ourselves, have wanted to establish commissions. We wanted to establish a commission, you will recall, Sherman, for determining -- I haven't had a chance to talk with Mrs. Hobby about this -- what is the proper function of the Federal Government in the whole field of social welfare. We all know that we want to carry out every single promise we have made.

Then when we began to talk about this -- and I talked with Senator Taft about it when he was up several weeks ago -- if you are going to try to decentralize this so far as possible you have got to give some tax money to states, and it brings up the question of the proper sources for taxation. So we had this really in our minds, to ask for a commission established by Congress for that function.

It is to determine what is the proper function of the Federal Government in order to get these things done and in order to keep the governmental power as far from Washington as you could. When you begin to do that you bring in Treasury, Budget, and everybody else, as well as organization. So we, ourselves, were thinking of asking for some commissions.

There was another one that Senator Lodge thought we should put up, which was a permanent commission, was it not, Senator?

MR. LODGE: It is just to go for six months, with the possibility of being extended.

GENERAL EISENHOWER: A legal commission -- you might say an ad hoc -- for studying this whole question. By getting the Congressional members in along with our own people we would give confidence that the job of determining the security of individuals, and so on, was properly done. It has a lot of appeal. If they just say the executive departments are investigating themselves they will not like that. You see, they have not yet been able to reverse their philosophy that they are the opposition group.

You see, there is no Republican in Congress today who was ever there under a Republican President, with the result that anything the Executive proposes is almost automatically opposed by the Republican Congress. Now that we have a Republican Congress their job is to hold up the hands of the Executive departments, but they have not learned that yet. It hasn't become a part of their automatic thinking. Their automatic thinking is to tear them down.

So in approaching this problem of reorganization I have mentioned these other things as examples of what we ourselves are thinking about. We must come at it on the basis of nurturing and carrying along these people until they understand that we are working with them, that we are their friends, that we are the guys they have to help, not kick in the teeth, and that is what their instinctive reaction is today, that anything the Executive proposes should be knocked over. We have got that in our hands.

I don't think there is any great profit in discussing it round robin right now, but I do believe that in your spare time during this meeting that is the kind of thing you should particularly study, Joe, with people who are interested in it, and see what we want to tell those two men. I think both Joe Martin and Senator Taft have washed their hands of this thing and you have convinced those fellows of what they want to do. I am not so certain they are wrong. I couldn't get up and deliver a speech in opposition to this thing. I had to give them my instinct on the thing, and that was all.

MR. DODGE: May I comment on that, General?

GENERAL EISENHOWER: Yes.

MR. DODGE: I came up on the train with them last night. I know Ferguson well and Brown not so well. They talked to me about it. I don't question their motive. They want to give you public support through that means. But I told them I thought they were embarking on a dangerous course in not giving us an opportunity to do the things that we had in mind before they started out fogging the issue with miscellaneous recommendations which might come from such a commission.

I plead with them to delay that action at least long enough, six months or so, that we could do some of the things we already had ideas about.

I think there is some possibility of using the commission with a limited charter, not quite as broad as the Hoover Commission, and divert it along the lines of function, the elimination, consolidation and decentralization of function, which is a long-range study and which they can't come up with an answer on for a year, perhaps.

Then on this security commission that you speak of, I want to mention again, as I mentioned to you but I haven't mentioned it to the group, that Senator Taft when he first brought that up very carefully avoided mentioning the Veterans' Administration --

deliberately or not I don't know. But actually that is one of the headaches of this administration and of the succeeding one. The only way you can approach it is in a basket because you can't isolate it and step into that problem.

If there is a commission, in my opinion it should include the Veterans' Administration in relation to the general security problem.

GENERAL EISENHOWER: As a matter of fact, Joe, when I really got to pressing these people to defend their arguments it really came back to the veterans. They realize that things are going haywire and they are scared to death to tackle it in Congress. They kept saying, "Take us off the hook; get yourself off the hook."

I said I was not going to talk to them about hooks. If you people are talking to them, all right, but we have got to do this thing soon. If we are not ready soon to do a real job there will be no 1954 victory for the Republicans in the Senate and the House voting, and therefore we just won't have the chance to do these things.

I was pleading for speed where we knew what we wanted to do. They are talking about getting off the hook on things which they think are just political suicide. The Veterans was the number one item which they quoted to me. What they want to have is an outside commission to come in with certain recommendations on veterans and then they can say, "See, we have to accept this thing as a whole package or not at all, and we have to take this regretfully although it doesn't give you another hundred dollars a month." That is what they are really after.

MR. DULLES: Does this reorganization commission proposal involve any consideration as to procedures of the Congress?

GENERAL EISENHOWER: No, I don't think so.

Tom, they brought down a copy of a resolution as is. It is in my "In" basket, and you can get that around to the group this evening as fast as you possibly can.

MR. DULLES: The problem of government is extremely complicated by the great difficulty of dealing with the Congress as its committees, and so forth, are now set up. The time of the principal executive officers, the Cabinet and others, is taken up by these constant appearances first before one committee and then another. As soon as you appear before one, then three others leap up and say, "We must hear you, too, because we are just as important as the first committee."

If you are going to go along with their suggestion that they should take part in reorganizing the Executive, I suggest we consider whether the Executive should not have some voice in saying how Congress should operate so that we can work together.

GENERAL EISENHOWER: Of course, Foster, you can say the Executive has the right to work by itself under its constitutional functions, and I am not going to pretend here to be a constitutional lawyer, but there is this about it: Congress has to provide the money under which each of us operates, not only operating as a functional set-up but also the money that we ourselves use in our offices.

I don't think we can deny them the right to take a look at this organization to see whether we are spending money unnecessarily, and so on.

MR. DULLES: I wasn't suggesting that we should prevent them from looking at us, but can't we perhaps get them to do the same thing, let us look at them.

GENERAL EISENHOWER: By the way, I must tell you that every Monday morning the Congressional leaders are meeting with me. I think it is going to be five from the Senate and four from the House, the way it looks as of this moment.

When we know that the subjects coming up are going to be of particular importance to State or to Defense or to Budget and Treasury -- and I can't imagine any question today excluding Budget and Treasury -- they will be asked to be there with us.

I think we can gradually sell them some way under which we don't have to suddenly say "Here, that is wrong." I have been in with some of our Congressional leaders already. I think they do a fine job, at least part of the time.

Here is one thing they do which applies to defense more than anything else. They come down to listen to a program on which you have sweat blood for six months. Then one of them has an idea that they can get a little public support for something, maybe a Navy carrier or another regiment of airborne troops, and so they just invite a technician down for technical advice. Then the next thing you know they are coming out and we had the spectacle of them putting five billion dollars in the Defense budget just two years ago that wasn't even asked for. They just put it in.

That is the kind of thing we have got to stop, and we are going to do that only through the closest cooperation, and they have got to believe in it. At the same time, by bringing them in with us we get them not to do that sort of thing.

I also hope that we can sell them the idea that not always do they have to have the heads of departments down there to talk about anything from Commerce to Defense, but that they can let a qualified representative of the Cabinet officers appear. They have been pretty bad on demanding that the head himself come down there, flanked by a body of assistants. Instead of getting on the basis of a cooperative enterprise, it is sort of across the table from each other like a lawyer with his battery of assistants.

MR. LODGE: In connection with Foster's suggestion in this resolution we are providing that the employees of the legislative shall have their employees checked for security.

MR. DULLES: I was thinking primarily on the legislative matters.

GENERAL EISENHOWER: They organize themselves once in a while and then they violate it every time.

MR. LODGE: There are also many employees up there who could use some security checks themselves.

MR. WILSON: Perhaps I am not competent to discuss this from the political angle, but there are some other angles on which I would like to comment.

I am very hesitant to see what you call an omnibus treatment of the reorganization because I think it is a specific problem, one after another, and the compromise that you might get from the omnibus thing, in my opinion, might not add to the efficiency as a whole.

Also, it is not very clear to me how much of the trouble is due to administrative rulings by the different chiefs and how much improvement can be made within existing laws. I think we ought to approach it first from that angle, what can we do under what we have got. Then we can specifically take each one.

Also, my experience in a good-sized organization, and I am sure it is true in any such organization, is that the improvement has to come from within and not from without. This business of appointing a special committee to keep telling you all the time what is the matter with you -- I want those fellows to join up and help do it.

The reason I talk about it so much is that I see I am right in it, right now.

GENERAL EISENHOWER: Charlie, they want to set up a separate commission to study the Defense Department. I said, "What do you suppose I have got these businessmen in here for except to do what you people want to do?"

MR. WILSON: We have already got the Sarnoff Committee.

GENERAL EISENHOWER: That is limited to manpower.

MR. WILSON: Not in Dave's opinion. Also, Bob Lauder, at the request of the President, wrote a letter on what he thought were the things that ought to be changed. It was intended to be quite helpful, but the Senate Armed Services Committee is going to ask me about that the first time I appear before them, what am I going to do about those recommendations. They involve changes in responsibilities and some legislation.

GENERAL EISENHOWER: Let me ask this. What do you think is the best way of getting at this now? I know that if we are going to recommend any changes in organization under the reorganization act which now is on the books it is going to go through Joe Dodge.

Is there anything we ought to do now with respect to these two resolutions? That is what I am really getting at.

MR. WILSON: You have got some new doctors on a patient that is assumed to be sick. Before the new doctors prescribe some strong medicine don't you think we ought to look the patient over?

GENERAL EISENHOWER: Yes, but you have got the old family doctor who has been there all the time, the Congress, and he wants a few words on the thing. That is the trouble.

MR. WILSON: I would like to see the things that we actually want done really done and put right into the thing after we get organized to do it. You can take the Hoover Commission. That has been dragging out a long time. Some of it has been done.

GENERAL EISENHOWER: Let me ask someone in the Cabinet who has been a member of the Senate all the time this question. What do you think is the effective thing to do now? I am fearful of the commission for fear, first, that it will get into our hair and we will work with that all the time instead of doing the job that we should be doing; and secondly, that it is just not the best way to approach the thing, that we are not ready to talk on it yet.

So in view of the temper of Congress and its anxiety to be in these things, what should we do?

MR. LODGE: Clarence Brown was the House sponsor of the bill which created the Hoover Commission, and I was the Senate sponsor. This thing is a trademark. He has just hitched his wagon to that particular star, and it was a pretty godd star. It got everybody concerned about the organization of the government. I would be opposed to duplicating the Hoover Commission now.

I think what Mr. Wilson said is true. I think it would be regarded as an excuse not to do things. I think while the Hoover Commission report has become obsolete in some respects there is no longer any mystery about what needs to be done, or there won't be after these capable men have been in the departments a little while. The Hoover Commission was put in place because we had a rather incompetent administration.

I think it would just muddy the waters and confuse public opinion and be a general nuisance. If they are able to drum up enough votes, though, you have to deal with that.

If you have to, if you are sufficiently pressed, then I would try to divert them into another type of investigation. If they have got the votes and the pressure to get a bill through with Brown's and Ferguson's name on it, then let's have it do something else of the kind that Mr. Dodge suggested and go into functions.

GENERAL EISENHOWER: They will take the long-term job while we do the short-term one. They are willing to say that.

MR. LODGE: I don't think that type of commission is needed at the present time, and I think it would be in the way.

GENERAL EISENHOWER: I think none of us sees the same urgency that they seem to see. They are very earnest about wanting to get off the hook on it.

MR. LODGE: There is no reason for them to get off the hook and put you on the hook.

GENERAL EISENHOWER: This takes us both off the hook.

MR. LODGE: I don't think it does take you both off the hook. I think it takes them off and puts you on.

GENERAL EISENHOWER: I would just as soon go on. I don't care. I am not running for anything.

MR. LODGE: At the same time the whole thing that gives your administration strength is your popularity, whether you like it or not. Anything that is going to chew away on it is not good.

MR. HUMPHREY: General, as I see it, what all of us want is just a little time and that is what we are really entitled to. I am not talking about months and months. I am talking about a few weeks.

GENERAL EISENHOWER: That is right.

MR. HUMPHREY: Would it be possible, do you think, to get them to join the Director of the Budget as individuals and maybe study over this thing for a little while and work at it to develop it before they introduce a bill?

GENERAL EISENHOWER: I invited them this morning on my own responsibility. I said, "If you people will just lay off this a little bit I will invite you, on my own responsibility, to meet with the Bureau of the Budget Director and he will hold meetings at whatever odd hours you would like, so that you may be fully aware of what we are doing in advance of its coming down, so you may study everything."

I went into it and told them how I wanted Congressional support and what we are willing to do. But they said, "How does that get the Republican Party off the hook for doing these things in certain lines. You had a bipartisan commission before that could do anything. Now we want a Republican commission."

But nevertheless they don't want a committee of Congress or the President to have to take the responsibility for recommending certain things with respect to the veterans and one or two other subjects.

MR. LODGE: General, the Hoover Commission made a lot of recommendations with regard to the Veterans Administration and nobody ever did anything about them. You are not going to accomplish anything by doing it all over again. If there isn't enough political courage to deal with the Veterans Administration now there will not be any later.

MR. STASSEN: Wouldn't it be reasonable to extend your powers of reorganization and you can ask them to give you a year to see what you are doing under it. With that power and a new administration coming in you are entitled to use it. We can let them review it.

GENERAL EISENHOWER: Then the best solution we see here is to ask them not to press this resolution but to let it go and not push it until toward the end of the session. Then if they think they have to do it politically I can then take my time in appointing my members of it.

MR. LODGE: Before that ask Brown and Ferguson if they won't introduce a resolution extending your powers.

MR. STASSEN: Immediately.

GENERAL EISENHOWER: They agreed this morning on that.

MR. STASSEN: Get it through quickly so you know you don't have to do it before April 1.

GENERAL EISENHOWER: That has already been agreed to. I talked to Senator Taft and Joe Martin on that. I also talked with them this morning, and I can't report that they said they would do it on such and such a day, but I am sure that that was the understanding.

I think, Sherman, maybe you had better call them both up and ask as a result of this talk, telling them what I want to do whether they won't undertake to introduce that resolution tomorrow.

MR. HAGERTY: They agreed publicly that they were going to do that.

GENERAL EISENHOWER: Did they say when they were going to do it?

MR. HAGERTY: They said in the very near future.

GENERAL EISENHOWER: You might call them up and just say that we are going to say nothing more about it and we assume they will do it instantly, and so on.

MR. STASSEN: If they start any so-called long-term job now it will interfere with the immediate things you want to try to get done.

GENERAL EISENHOWER: That is what I tried to sell them, Governor. They said, oh, no, their system was going to support us and hold up our hands. That is their conviction.

MR. WILSON: I think both of the men mean well.

GENERAL EISENHOWER: Oh, yes.

MR. WILSON: Just sort of thinking out loud, I don't see how you can do this job intelligently until we review our policies and clarify our objectives, number one. Then this over-all budget business, you can't have a budget until you know what you are trying to accomplish. Otherwise you won't spend your money right. Third, are there any changes that have to be made in the laws to permit us to do it efficiently.

Those are three separate things: What are we going to do about the budget, how are we going to clarify our policies and objectives, and then how do we do the thing efficiently and are there any laws that have to be changed which prevent us from doing it efficiently.

GENERAL EISENHOWER: This is not just another Hoover Commission. That had limits on its charter. They could not undertake the elimination of any function. It was merely the rearrangement.

MR. LODGE: Efficiency and economy.

GENERAL EISENHOWER: They want in this case to extend it and I maintain that until we have some experience of our own in government that we don't know whether these things ought to be eliminated or whether somebody else can do it. They want to go on that chore right away before we would be willing, really, to make recommendations.

MR. BENSON: General, I think you are exactly right. I think it will only muddy the waters if we introduce new legislation having to do with reorganization. If we can get an extension of the act it gives us all the authority we need to increase the efficiency and effectiveness of our present Executive branch.

Then if this other thing is needed, which it may be as a long-time proposition, certainly it is no emergency and we can take time on that.

I hope we have a commitment that they will introduce an extension of that legislation and that act right away. I think time is of the essence.

GENERAL EISENHOWER: I thought that was implicit in the understanding this morning. Now that the thing is up, I never like to quote another guy and so we will have Sherman call them up tomorrow.

MR. BENSON: I saw several Senators on the Hill on Friday and I couldn't get from any of them that there were any immediate plans for the introduction of legislation to extend this act. There was sympathy for it but no immediate plan.

GOVERNOR ADAMS: General, the situation is this. We have discussed this with Taft several times. The reason why the legislation has not been proposed at the present time is that Joe Martin objected to furthering any legislation under the present President. He thought that any legislation which was passed under the present administration would be wrong and not a help to the kind of a job that we were going to do.

He did say that on the 20th or as soon after the 20th as was humanly possible they would see that this resolution was adopted extending the Hoover Commission. I don't think there is any question about it.

GENERAL EISENHOWER: Then will you call up those two tomorrow to check in with them that that is what is going to happen so we won't be worried.

GOVERNOR ADAMS: We do have on the agenda for tomorrow Rockefeller coming in on the general question of reorganization. I will undertake tonight to have transcribed the essence of this act which is now being proposed by Ferguson and Brown.

GENERAL EISENHOWER: It is on my desk.

MR. STEPHENS: It is right there before you, sir.

GOVERNOR ADAMS; We will have that for you gentlemen to see. I think this could come up for some discussion again tomorrow afternoon after we have had a chance to digest what they propose.

MRS. HOBBY: I was wondering what the group would think after the reorganization act has been extended -- Mr. Brown and Mr. Ferguson are way out front on this thing -- I think they feel they may lose face -- if the effective date could be made March '54 and give the Cabinet time to analyze their own problems. Then it would seem you have made Mr. Brown and Mr. Ferguson happy and give this group time to do it.

MR. WILSON: Or they could take the initiative in extending the act.

GENERAL EISENHOWER: That is the way we are going to leave it, that you will tell Brown and Ferguson that we will leave it in their hands and it is our understanding that that is to be done on January 21.

MR. NIXON: I have not much to add except that I think you put your finger on it. The problem is face with the two men. They have introduced this resolution and have given something out to the press. Their face can be saved to an extent by allowing them to introduce the extension of the reorganization resolution. and also, if they will agree to do it, announcing at that time that they have decided to delay pressing action on their resolution until the administration has had a chance to iron out difficulties under the present act.

There is one other thought I would add along the lines of attempting to persuade them that that is what they should do. I think, as Cabot will agree, when he and Clarence Brown introduced the legislation which set up the Hoover Commission that resolution was supported and that Commission was set up and it had a great deal of public support due to the fact that neither the Congress nor the public trusted the present administration in Washington, D. C., to organize itself. It was felt that you had an administration that was just growing and growing and growing without any plan or anything of that sort and that somebody had to come in from the outside to make recommendations to do something about it.

Now we are faced with an altogether different problem. We have got a group of people here who have been selected because it was thought that they would know how to run their various departments.

Let's assume thatthe legislation were approved and a commission set up, what kind of personnel are you going to get? They will get the very best people that they can, but on that commission would not be, presumably, on any full-time basis, the people here, and I am sure that the various members of this Cabinet were selected because it was considered that they were the nine best people in the country to run the various departments for which they were selected. They are the people who know more, or presumably after they have studied it will know more about how to reorganize these departments than anybody else.

Certainly these people should be given a period of at least a year to do that specific job, and then at a later time if it is felt that more needs to be done the commission can step in after these people have done something about it. There is not any substitute for people who actually live with the problem making recommendations on it.

GENERAL EISENHOWER: Then the thing for us to do is to get them to introduce the resolution and then in the meantime ask them not to press their original resolution, let it drift along, and then we can see whether any different wording or amendments are necessary.

fls bd MR. NIXON: And promises them support for their resolution. In other words, they will have the inside track for that type of resolution when the Cabinet finally determines what kind it ought to be.

GENERAL EISENHOWER: The reason I wanted to get this out of the way today is so we can talk this over before Mr. Rockefeller comes in front of us with his schemes which haven't anything to do with what we have to do with the Congress.

MR. WILSON: Is there any practical way in a political sense that Ferguson and Brown could help us get done what we need to do?

GENERAL EISENHOWER: That is what I asked them to do. I asked them to come in and cooperate on any basis.

MR. WILSON: Could we set up some kind of set-up so they would officially be recognized as the people helping us to do it? That is what they seem to need, you see, since they have started this.

GENERAL EISENHOWER: I don't know.

MR. WEEKS: Could I make a suggestion? One, it seems to me it would be well to talk in terms of extending the Act, or at least in terms of action, about 6 months rather than in a year. Time goes by pretty fast.

GENERAL EISENHOWER: I am asking for an extension of two years. Senator Taft put it this morning on the basis of through the life of this Congress, or something like that. He was talking about a year and a half.

MR. WEEKS: What I meant was if we could give them some assurance we would make good progress within six months, I think it would be helpful to their bringing about the extension.

2 GENERAL EISENHOWER: Tell them not to press it. If it just takes its ordinary turn, unless there is pressing it will take six months to get it through.

GENERAL PERSONS: They expect a commission to take a year in reporting and if they could give a reporting date of about March 1954, it gets them out of our hair because then nothing would be done. I believe you might be able to sell that one, that they can get the commission in the next few months but to report to the Congress their findings in March 1954.

GENERAL EISENHOWER: Let's get the extension first.

MR. HUMPHREY: If you can possibly get the extension, Jerry, that is best.

GENERAL PERSONS: That is the number one thing, the extension.

MR. BROWNELL: There is an allied problem that I wonder if there is any policy on. In the Department of Justice there are two full-fledged investigations going on now that are to be continued. That is in addition to the one you are talking about here.

GENERAL EISENHOWER: What kind of investigations?

MR. BROWNELL: There is an investigation by the House of the whole Justice Department.

GENERAL EISENHOWER: For reorganization?

MR. BROWNELL: No, but leading to plans for reorganization, I suppose.

GENERAL EISENHOWER: We are talking now about reorganization, of course.

MR. BROWNELL: They are supposed to come in with their own plans for reorganization. And the Senate has one of the Allien Property Custodian's Division.

MR. BENSON: If we get a new commission they will hold up any reorganization until they have made their independent study. b3 If we get the authority now to bring about some of these greater efficiencies, it will be a great deal better.

GENERAL EISENHOWER: I think we had better also get in whoever is going to do this to make Senator Taft or Joe Martin understand the problem right away and show that while we will not block these people, we want all efforts to reorganize the Executive Department now halted but giving us this extension so we can go about doing our own jobs now.

Now, who should undertake that? Should you, Sherman, or should Joe, because of the statutory function he has got, or should we give it to Jerry?

GOVERNOR ADAMS: We will collaborate.

GENERAL EISENHOWER: All right. You people get on to it and we will dismiss it.

MR. WILSON: I am liable to have something I want done within a month.

GENERAL EISENHOWER: That is all right. If you get it in within a month we have still got the Act until April 1.

MR. WILSON: It might be two months. But then I would like to sell it to you and this group and then, by gosh, let's get together and get it done and I will do something about it, which is entirely different than this outside commission that takes years and then they make a report and maybe no one pays any attention to it.

MR. BENSON: In Agriculture we could get the reorganization plan completed under the present act.

GENERAL EISENHOWER: We will work it that way. I agree with Charlie. Both these people, I believe, sincerely believe they are doing us a service and if we could just get them to hold their hands a little bit we would all be so much better off.

MR. WEEKS: Any proposals for reorganization in the immediate future to be cleared through Dodge?

GENERAL EISENHOWER: Yes. By the way, because there is a section of the Office of the Bureau of the Budget set up by law to work with all of you people all the time in good management in business and good organization, all of these plans are to be taken up with that section of Joe Dodge's office and cleared. He will bring them up in Cabinet meetings and we will have a chance to look at them and you can clear it there. When I say here is what we want to do in that case, I will know that we are following the procedures that are recommended.

MR. BENSON: It is a good plan and it works.

GENERAL EISENHOWER: They tell me he has a very able section there, too. In your section, of course, you have to put in special legislation because your section was definitely excluded.

MR. NIXON: Could I suggest this one thing? I think as we consider this commission and the other suggestions for commissions which are bound to follow, that one thing we might have in mind is the political effect on the country. I have the feeling -- I don't know whether Jim will agree with me from a press relations standpoint -- that the public has become increasingly skeptical over the past two or three years over commissions. They have been piling up on each other. They have generally been used by the Administration to get rid of a knotty problem and nothing ever happens. The same has been true to a certain extent of investigations.

It would seem to me that a commission in the new Administration should be more or less a last resort for the handling of a b5 problem that can't be handled in the Administration.

GENERAL EISENHOWER: You may not be interpreting the public right, but you are sure interpreting me right.

MR. LODGE: Dick, would you apply that to this question of loyalty of employees?

MR. NIXON: You will notice the exception I made, assuming it is a problem that can't be handled through any existing congressional authority.

MR. LODGE: Then there is the question of loyalty of executive personnel in sensitive agencies.

GENERAL EISENHOWER: Could I ask you two to get together to discuss this?

MR. NIXON: I think Herbert should be in on that.

GENERAL EISENHOWER: You can do that this evening. That is one reason I didn't ask anyone to dinner tonight, so you people can get together in little groups and talk these things over.

MR. WILSON: I think each of us should clean our own houses and within the limits of what we can do now we should show some progress.

GENERAL EISENHOWER: The first thing in the morning I want to put on the agenda this other address so we will try to clear this inaugural out of the way. Foster, what do you want to suggest putting in or to be eliminated?

MR. DULLES: Do you have the text before you, Emmet?

MR. HUGHES: Yes, sir.

MR. DULLES: You speak about independence? Africa, don't you? How about just saying self-government so that you don't seem to take the African side against the French side? p. 1

b6 MR. WILSON: I had that one too.

MR. DULLES: You talked about interdependence, with the emphasis entirely on the material aspect of the matter, that we need places for our surplus and getting our raw materials. I suggest bringing in the cultural and spiritual values.

GENERAL EISENHOWER: We have got it there but change the emphasis. Put it first that this is true because of the spiritual union. 6. p7 No

MR. DULLES: The cradle of our civilization and sentimentalities and so forth.

GENERAL EISENHOWER: Even if you want to belittle those things, the material considerations force it. That was all we were trying to say.

MR. DULLES: There was a reference to developing regional areas but there was no reference toward the United Nations.

GENERAL EISENHOWER: No, we say we take the United Nations not only as a symbol of peace but as something we must have.

MR. HUGHES: The two points are separated.

GENERAL EISENHOWER: We say in the interests of peace, but you can say under the Charter of the United Nations, and then we won't make a mistake. p.10

MR. HUGHES: Under the Charter and the spirit.

MR. DULLES: Yes.

GENERAL EISENHOWER: When I violate protocol it is because I have never understood it. Aides have sat on my right all my life.

MR. NIXON: I like the idea that you have expressed about productivity being essential for peace. I also like the thought that you have expressed which, as I have interpreted it was this, that the job of a man at a lathe was just as important as the job of a diplomat.

Having in mind the fact that the speech will be read and heard all over the country, saying it in the words that you used, those specific words, I think might point up the problem and bring it home to people even more effectively than the general comment.

I kind of like the phrase, "the man at the lathe."

GENERAL EISENHOWER: I think if you are going to institute and make progress on what you might call a spiritual crusade of any kind you have got to identify the follower with the leader, and if we here identify ourselves collectively as the leader we have got to identify the fellow plowing a row of corn or driving a taxi. We have got to identify him with it. I think all the way through we must seek to do that.

How about you, Charlie? Do you have some additional comments?

MR. WILSON: I did mention if you wanted to talk about productivity, if you could give it the flip of accomplishing more with the same human effort, with better organization, better tools, better mental capacity.

p6

On the trade business, I like to talk about trade as being a two-way street. In other words, you are not giving anything away and we are not pushing out our surpluses on anybody, or anything like that. Trade is a two-way street.

GENERAL EISENHOWER: We had it really in the exchange, and the sentence got so long I had to break up the sentence.

p-6
No

MR. WILSON: If you just say in terms of a two-way street, people understand what a two-way street is. That is the only suggestion I can make.

wbl
fls
bd

GENERAL EISENHOWER: Arthur?

MR. SUMMERFIELD: I made a note on wanting to develop our economy to provide a market for our surpluses.

GENERAL EISENHOWER: We don't even have to say that. I merely said that to explain that as we needed their articles, their raw materials, we also need the place for our surpluses. The best trade would be if we were about balanced.

MR. SUMMERFIELD: I thought there might be a point about the availability of our surpluses to these less fortunate nations. This speech is going to be heard all over the world. This is not entirely a selfish plan.

P-6
No

GENERAL EISENHOWER: The idea is that we made that appear a rather self-centered sort of thing and let's get it off that basis.

George?

MR. HUMPHREY: I think the general tone of it is just excellent. The only thing I can think of is that you continue the emphasis you have on the obligation of the people themselves to do the job. That is the emphasis, that it is the job of the individual people. I think we must keep that always strong and not let that be minimized. The speech is excellent.

GENERAL EISENHOWER: As a matter of fact, it is not only their obligation but they are the only ones who can generate the power to do it. No matter how clever or brilliant a group like this is, it is dependent on them. If you can get that over, it will be good. That is the reason I am glad to get these specific ideas. What have you got?

MR. McKAY: I just have a couple of words that didn't seem

b2

quite right. One place in the middle of the speech you begged them. I wouldn't beg anybody. I don't like the word "beg." It may be technical.

GENERAL EISENHOWER: All right. p.7 ok

MR. McKAY: No. 2 is to make the nation good. I want to make it better. It is already the best nation on earth. One other thing along Charlie Wilson's line just occurred to me. The thing I think we need to sell people today is pride in their work. They seem to have lost that in the past few years. The speech was wonderful. p15? No

GENERAL EISENHOWER: You might say something like that.

MR. McKAY: You have got to inspire everybody, whether it is the taxi driver or the lowest laborer. He has an important job in the scheme of this country.

GENERAL EISENHOWER: I believe that so passionately that I just often forget to emphasize it enough. I believe that the guy who is doing a good job with a plow is just as important as the fellow who is presiding over the Senate.

MR. NIXON: Those were exactly the kind of words that I think put meat into the speech. They guy who is doing a good job with a plow is doing just as much as the guy who presides over the Senate, and probably a hell of a lot more.

GENERAL EISENHOWER: The only trouble is that you are not on the back platform. I personally am a little bit reluctant ever to talk in terms that look like we are funning a school. I do believe in this particular one -- Lincoln himself didn't say 87 years ago. He said four score and seven years ago. He instantly on the opening of that speech established a certain stateliness. He didn't use the language that he knew better b3 than anybody else, if you will read some of the stories that he told. I am open to argument on this, but in this speech I deliberately tried to stay in the level of talk that would make as good reading as possible at the Quai D'Orsay or at No. 10 Downing, but I particularly tried to make the words that would sound good to the fellow digging the ditch in Kansas.

MR. WILSON: You flew the flag. It was wonderful.

MR. McKAY: We will take it as is, right now.

GENERAL EISENHOWER: I wanted to explain my whole concept, so you can jump on that. You can say no, get down to colloquialisms, if you want to.

MR. WILSON: I have always felt that Americans were wonderful and that in their respective jobs, no matter what they were, they could have a pride in feeling they were doing something. In addition to thinking that for years, I accomplished it with 450,000 people so I have a great feeling that it can be done.

GENERAL EISENHOWER: Even in appropriate language we might say something very dramatic, that my first purpose in standing up here today is to salute everybody who is a productive American, no matter what he is. I can just say that to start off, that it is to make my salute to him and put it in such terms and then go on to let him know that you are trying to talk to him. But merely because you are talking a thought that ought to go to 158 million you don't have to deliberately struggle for a three-letter word.

MR. HUMPHREY: I think you want to keep this on the plane it is on.

GENERAL EISENHOWER: But at the same time you can express that thought.

MR. DULLES: I would question this business about putting b4 your emphasis on the productive American, because it deals too much with the economic picture alone.

GENERAL EISENHOWER: But we must remember also today that unless we can put things in the hands of people who are starving to death we can never lick Communism. My whole picture of China is claws reaching at you because you looked like you had five cents. I am convinced we have got to do something about production. Maybe I am wrong.

MR. DULLES: In Indi~~an~~a today the great peril of Communism comes from intellectual centers.

MR. HUMPHREY: You can do that in the next speech. You have another one coming right up.

MR. BENSON: I liked it very much. I think the points I had in mind have largely been covered, not to emphasize surpluses but to emphasize trade, distribution and consumption. I wasn't sure whether your reference to the United Nations was an endorsement of the United Nations as it is operating.

GENERAL EISENHOWER: I endorsed the conception and said we would devote our efforts to making it a reality or something like that. I don't object to another sentence to reinforce that one. I am still hoping to find one saying we should take out a couple of paragraphs. It is too long for me.

MR. BENSON: Just so we don't get in the position that we are endorsing the United Nations as it is operating.

GENERAL EISENHOWER: Oh, no.

MR. WEEKS: I have just this thought. If I recall the language correctly, in effect where you have touched on selling our products abroad you said that we exchange our products for their raw materials. p.b b5 GENERAL EISENHOWER: We didn't say raw materials. We said vital materials.

MR. WEEKS: I would perhaps use some other word to illustrate the principle of reciprocity. Then I would like to see you say that if we are going to have reciprocity, let's have it, because I can give you, I think, chapter and verse on that. We had a plan in England and they wouldn't even take some
? machinery over there that we wanted to give them. I think if you say, in effect, exchanging our manufactured products for their vital materials, if you could say their products or something like that, you might save yourself a little trouble because people all over the world are going to be listening to
V this. p6-7

GENERAL EISENHOWER: I thought we tried to emphasize that. OK If I didn't, I will. If you raise the question, it has to be emphasized.

GOVERNOR ADAMS: I have already expressed myself to Ed. I make the point that you are expressing here the value of the dignity of the individual, that there are a great deal of differences between our intellectual accomplishments in a country like this, but the intensity of patriotism, faith, the intensity of a man's love for is country, is just as great on the part of a man at the plow or at the lathe as it is in any of us.

GENERAL EISENHOWER: You know, there is one place where we bring in that whole thing.

Cabot?

MR. LODGE: I think it is a very good speech. There is one little fly speck I would like to change. You refer to p. 2 Moscow as having what has been the center of autocracy and now being the center of revolution. Lots of people won't like b6 to hear that word revolution, and this implies that it is not today the center of autocracy, because it is.

GENERAL EISENHOWER: Despotism? You are right.

MR. LODGE: Do you see what I mean, Emmet?

MR. HUGHES: Yes.

? MR. WILSON: If you gave us a flip from autocracy to despotism it would be better.

GENERAL EISENHOWER: Those are too nearly the same.

MR. LODGE: One type has been replaced by another that is more dangerous. A lot of people would like to have a revolution and it might help revolutions in some parts of the world as it is now.

P. 2
OK
(imperialism replaces rev)

GENERAL EISENHOWER: I would like to make that change. In Mexico today they still talk about the revolution like the second coming of the Lord. While it hasn't worked too well, nevertheless it is better than what they had.

MR. WILSON: We had a little revolution in our country, a peaceful one.

GENERAL EISENHOWER: Little?

MR. DULLES: We had a violent one.

MR. WILSON: I think we are going to have an American renaissance now.

GENERAL EISENHOWER: Mrs. Hobby?

MRS. HOBBY: Senator Lodge covered one of the points I had. I suggested chaos.

GENERAL EISENHOWER: Yes, the center of world chaos.

MRS. HOBBY: One other thing. When you refer to making the UN an effective force, I wonder if you want to use the word "force" because it might have some connotation which might be taken wrongly.

P11
NC

b7 **GENERAL EISENHOWER:** An effective instrument.

MRS. HOBBY: There was another place where you referred to trained citizenry. I wondered if you wanted to use that word.

GENERAL EISENHOWER: A lot of people are going to say, "There is UMT right up again," and that is going to be a policy matter. But there is one thing about it, if we are going to keep down our expenses that are involved in the constant maintenance of very large military organisms we have got to plan carefully for the rapid transition of this whole country from a peace to a war activity. If you are going to do that one of your bottlenecks will be the training of great bodies of citizens. The thing that makes possible the cutting down of an existing force is the existence of a trained citizenry. That is what I was trying to gettover.

MR. WILSON: Could you say loyal and competent?

MR. NIXON: Or you could say citizens prepared for any eventuality.

GENERAL EISENHOWER: You might do that. Where I said trained citizens you might say a citizenry prepared. 113 ok

MRS. HOBBY: Could he read that sentence?

GENERAL EISENHOWER: Yes. It is down toward the bottom dealing with the defense organization. It starts with, "The third kind of strength."

MR. HUGHES: The paragraph reads, "The third stone in this triumvirate is military strength. A product of the first two, this kind of strength is in modern days characterized as much by its cost as by its destructiveness. Because the time of its use for defense cannot be foreseen, there must be on hand, always, that amount of strength that can surely avert disaster but its b8 cost demands that the safe minimum be the standard, with reinforcements represented in a trained citizenry and comprehensive plans designed to translate promptly peace to a war economy."

GENERAL EISENHOWER: Or I think you could say, "A citizenry prepared to act." I think prepared is better than loyal and competent. If you say loyal and competent they will think of competence in terms of their jobs.

MR. WILSON: You are talking about defense and their jobs.

GENERAL EISENHOWER: We have got to come to grips with this problem of what will we do with our citizenry. We have been putting them in battle untrained and then they pay the butcher's bill.

Everybody is looking on training nowadays as something that the Government out of cruelty forces on a youngster. What you are really doing is saving his life. I get to boiling about that but it doesn't do any good.

Library

What have you got, Joe?

MR. DODGE: I don't know where it fits in particularly, but I think it might be worded to say in effect that the strength of the free world to a large degree depends on our strength at home, which is literally true.

GENERAL EISENHOWER: We say that very definitely in one place but maybe we say it so it has lost its force. We say believing that only a strong America can help defend a free world, and so on. You might even get in the word solvency. One time I tried to cut down. I had financial strength and all the rest of it right down the line. If you go to explain the whole works in this thing I will be talking for an hour, and I just won't do it.

b9

MRS. HOBBY: That is so much better than saying it in the State of the Union Speech.

GENERAL EISENHOWER: Harold?

MR. STASSEN: Just a few minor ones. You say, "We shall help them." I should like to see, "and they will help us," with humility of the approach of America to the rest of the free world. If you say they will carry their just burden, that doesn't give them a fair break. And then you can say we will advance together. You say something about splendid solitude of isolation. Splendid is a favorable word and I don't think you ought to use it in relationship to that.

P 9 OK

P6 OK (economic)

GENERAL EISENHOWER: Some of us have the idea that if we live in solitude we live on a great pedestal of prosperity and isolation and I was trying to get over that there is no such thing.

MR. STASSEN: It seemed to me the sentence on science tended to give the scientists a rough time.

GENERAL EISENHOWER: I said they gave us as our final gift the power to kill ourselves. That is what they have done, too. Just listen to the stories of the hydrogen bomb. And it doesn't do any good to run. Some day we will get those boys up to tell us some of the facts of those things. They are terrifying.

MR. STASSEN: I had the feeling, too, that the place to tie everybody together is on your faith. I think that faith is awfully strong as it comes in the speech and there you have that thought of everybody in every walk of life being a part of the faith of the nation.

GENERAL EISENHOWER: This is what I had at one time. Again, b10 I don't want to deliver a sermon. It is not my place. I am not an ordained minister. But I firmly believe that our Government, and the first thing we must remember about it, is that it is deeply embedded in a religious faith. Our forefathers said we hold that men are endowed by their creator and unless you accept that sentence our form of Government makes no sense. Then I would like to be a dictator because I would be a very smart guy and would tell everybody what to do, but as long as I believe that I am dedicated to democracy. I think you have to accept religion on faith. People might not even call me an educated mule, but the fact is that faith is the whole concept here.

MR. STASSEN: I know you feel that way and you show it in every speech you give when you hit faith, and if you pull everybody in at that point it will be the most effective because they will know you are really talking to them at that point. You can reach every person in America at that point. I think this is a superb address just the way it is, but if the opening sentence could be a little shorter and a little easier it might be better.

p1
OK

GENERAL EISENHOWER: We had it short and in my effort to shorten up this talk a little bit I changed that sentence.

MR. STASSEN: I don't think you liked that first sentence. You didn't sound like you did.

GENERAL EISENHOWER: That sentence is a combination of the first three sentences I had, but I had to find some place to reduce this thing in length. Maybe we can go back to a very short opening sentence. But we should get the reason for meeting there and this recurring incident of our political life and why were we doing it.

bll MR. STASSEN: The thought was superb.

GENERAL EISENHOWER: I wish someone could suggest the words.

MRS. HOBBY: Going back to getting this down to the man who is driving the taxi, you started on something I thought was very good. It is almost a definition of faith, a definition of faith being a belief in something. If there was some way or other that simple definition of faith could be put in. The word "faith" is used so often that so many people don't know what you mean by faith. It is a great, broad, general word.

GENERAL EISENHOWER: I will tell you. There would be one place, Emmet, to include a number of ideas that have been expressed around here. We start right off saying our whole form of Government is embedded in a faith. We say that faith announced by our forefathers.

Our forefathers in the Declaration of Independence say all men are created equal. This means that today as we address ourselves to the most intelligent people in the lands we are addressing ourselves also to others equally, with these first, as the most important elements, getting the whole idea in there. We can say what is this faith? It is something that we accept that we cannot prove and unless we do accept it, then our form of Government is making no sense, or at least we will say that in stately words. I must insist that I am simply not going to talk for 25 minutes. I don't care how much this has to be cut down.

MR. STASSEN: You can reduce the Communist indictment because you have got them polished off thoroughly there and b12 then you repolish them.

GENERAL EISENHOWER: I think maybe we have overdone that a little bit. Now we will get the critic. Go ahead, Bob.

MR. CUTLER: I had three suggestions. In the middle of the speech, it must be at about page 7 or 8, there are two references to free people or free men in the world. The first time it is referred to, no definition is given of the areas. The second time, a page later, as I recall it, Europe and Asia are referred to. This thing has stuck in my mind ever since the campaign because I do not think there is any reference to South America. I think the South Americans are going to be so important in the forthcoming years that if we mention Europe and Asia we might refer to the Americas which lie to the south of us.

GENERAL EISENHOWER: We might not have mentioned them there but we did later. We talked about these groupings of nations. We said we have our own special responsibilities with the nations of the Western Hemisphere and with them are united in a kind of partnership.

MR. CUTLER: Is that there? I missed that.

MR. HUGHES: "In the Western Hemisphere we join with all our neighbors"

MR. CUTLER: I would like to get the Americas to the south of us.

MR. LODGE: Where does that leave you on the Middle East?

GENERAL EISENHOWER: And with Canada?

MR. CUTLER: The Americas, then, You seem to talk about Asia and Western Europe but then there are all these people down south who are so terribly important.

b13 **MR. LODGE:** The Middle East feels terribly neglected.

GENERAL EISENHOWER: On that one I will check up with Foster. I will get his clearance.

MR. DULLES: I was going to offer this textually from the standpoint of such points as you are making, Mr. Cutler, because it is hard to catch those in an oral presentation.

MR. CUTLER: My second point relates to when we are getting into peroration and we are talking about the three strengths. During the campaign the General opened my eyes and my heart by intimating very clearly throughout speeches that perhaps a new solution to bring about the peace of the world that certainly hadn't occurred to Robert Cutler was that if we behaved decently and honorably and dealt fairly with our neighbors we would have a self respect and then people would respect us.

Then nations instead of thinking of Uncle Sam as an old Shylock would respect the United States. Where we are talking about the intellectual and spiritual strength, the idea of self respect is good. You used to use that word and to me it was a very propulsive and provoking word.

GENERAL EISENHOWER: As a matter of fact, I put it in twice, once about the special responsibilities of leaders in Government and in another place where America can't put peace in the world unless America first gets peace in its own heart. But I do remember how I used to express that.

MR. CUTLER: It comes right into the intellectual and spiritual factor.

GENERAL EISENHOWER: All right.

MR. CUTLER: The third one comes at the very end where b14 you are stressing peace. That is what this speech is addressed to. This is a difficult thing to express. I don't think that what the people of the world ardently yearn for so much is just peace. If you give the poor Chinaman peace he still continues to starve. The real goal, as you expressed it in one of your speeches somewhere, is something like this: A world at peace in which every individual everywhere, in every land, has a free opportunity to develop. We must strike a note which will make the people who are so pressed down in other countries yearn to be on our side. Peace is not enough to offer those people. It must be a peace where they can grow and develop, not a Pax Americana where we say we will keep the world at peace. Isn't there an important note that hasn't been struck? It is the opportunity of a free people to develop in their own way.

GENERAL EISENHOWER: When a fellow believes these things and says them in so many words, he finally thinks he has said them really. In all this talk about productivity, that is what I was trying to talk about, that productivity everywhere is what this world needs. We might get that back.

MR. LODGE: Couldn't you say a richer life for our children in a world of peace? That can be made to apply, at least.

MR. WILSON: You are talking about peace with opportunity and personal security.

MR. CUTLER: That is right, for everybody, not just for Americans.

MR. WILSON: And personal security for everyone.

MR. CUTLER: Not security, Mr. Wilson, but opportunity.

b15 That is what we want.

MR. WILSON: I use the word security sometimes very loosely. I mean that they aren't going to starve if they work.

GENERAL EISENHOWER: Do you have something else, Bob?

MR. CUTLER: No, that is all.

GENERAL EISENHOWER: Jerry, what have you got?

GENERAL PERSONS: I have nothing that hasn't been said by more articulate people.

GENERAL EISENHOWER: What has press relations?

MR. HAGERTY: Just one, General, and it is more mechanics than contents. When you got on your declaration of policy at the start of this speech, which is going to be heard and seen on radio and television more than it is read in newspapers, in reading the declarations of policy it was hard for me to follow points.

GENERAL EISENHOWER: As a matter of fact, in this thing they are numbered 1, 2 and so on. I didn't read them because I instinctively resent anything that is ritualized.

MR. HAGERTY: I understand, but it was hard to understand.

GENERAL EISENHOWER: All right, I will read them. But I wish someone would give me an easier way to say the word "youths."

MR. STASSEN: In their earlier years.

GENERAL EISENHOWER: That is right.

I don't know what time they set for us for tomorrow morning but it seems to be 9:30. As far as I am concerned, this outfit can take its first vote. I will be prepared to be on the stand anywhere from 8 o'clock on. Is 9:30 a better time in the minds of most of you than any other hour? Th does give you a little time to check around, those of you who have offices.

b16 MR. WILSON: I have a little axe to grind at 9 o'clock.

GENERAL EISENHOWER: Somewhere else?

MR. WILSON: Yes. That would give me a half hour to do this little piece of business.

GENERAL EISENHOWER: For anyone who has any special little thing for me -- I don't know how I can load my poor old brain any more but I will be here probably not later than 8:15.

GOVERNOR ADAMS: On these papers, General, this is a cabinet meeting. We are not able to keep to ourselves some of the things that sometimes we might be better off to keep to ourselves. Just why is always an enigma and a puzzle. You are going to have a picture taken after we adjourn here but while you are out you can leave your papers at your places if you wish and then come back and get them. In the morning, as I understand, you will be presented with a transcript of what has transpired here today, a copy for each of you.

GENERAL EISENHOWER: By the way, who is going to undertake the job this evening of editing that? For example, we talked about Senator Ferguson and some of the others, some outsiders today. I don't want anything in the transcript here to look like it is critical of anybody or anything when we talk about our problems. We are talking among ourselves so someone has got to edit the transcript very carefully.

MR. WILSON: Why do you have to do that at all?

GENERAL EISENHOWER: You mean give a transcript? I don't know unless you people want it.

MR. HUMPHREY: I would rather not have them.

MR. BENSON: Why not have a minute and have it read at our next meeting but with the copies just available.

MR. DODGE: I think it is dangerous.

7
b18

(Discussion off the record.)

GENERAL EISENHOWER: We had long talks with the Senators this morning and I find, contrary to what is implied in the papers, there is no unhappiness. It is just that it has been so long since the Republicans were in power that everybody has forgotten what are the real procedures followed. In some States it is the Governors and then in a Southern State it is a Democrat for Eisenhower and every problem is one by itself. But the Senate does have to approve everybody that you appoint. As they point out, it is only common courtesy that interested Senators know about it. But I can't see that anyone wants to establish any system. We offered two or three weeks ago to let them write the instructions because we weren't particularly interested. They didn't do that. Then when they say there is confusion, it means just that. There is a lack of understanding because every State does it differently. They do it differently in New York from any other. Senator Ives, for example, has nothing to do with it. He says take it up to the Governor. He will have nothing to do with it. In another State the Senator is everything. So he will give you a resume, but I just wanted to tell you that.

MR. WILSON: I saw an item in the paper where they said that Bob Stephens was mentioned.

GENERAL EISENHOWER: As a matter of fact, I think Senator Taft said on television last night that that was not so.

MR. WEEKS: May I ask a question on the matter of security? As Robert Cutler said, he was not going to be here tomorrow. In the Commerce Department there are export licenses granted. So far as I have gone, I am not completely able to document the case but I think there are trans-shipments involved from some b18 countries into other countries, and it is within my power, as I understand it, to close down on export licenses. Obviously, I shouldn't do that without consultation, I should say, with the State Department.

GENERAL EISENHOWER: By all means.

MR. WEEKS: How are you going to coordinate that activity?

GENERAL EISENHOWER: That is one of the jobs they have. I have a very deep conviction that there is no instrument in the hands of diplomacy that is quite as powerful as trade. I think the criterion on trade should be of trade on a narrow basis. Let's get the finest analysis of the situation we can get as to our benefit in the world.

MR. WEEKS: This particularly involves drugs that are going into communist hands.

MR. DULLES: Medical supplies.

MR. STASSEN: That directly ties in with the so-called Battle Act for east-west movement which we have to administer.

GENERAL EISENHOWER: There are a lot of people involved in it, but the thing we have to try to understand is where are we profiting our country as the leader of the free world. That means profiting the people we work with. If you will study World War I you will realize that we were actually selling Germany things through Spain and Switzerland all through World War I because we had to get wolfram and mules out of Spain. Occasionally we have to do that. If you could get manganese out of Russia today what would you pay in terms of American products?

MR. WILSON: I am a little old fashioned. I don't like to sell firearms to the Indians.

GENERAL EISENHOWER: No, you don't, but I think there comes b19 a place where on the psychological angle you have to draw the line; but the first thing you have to say is what is this trade for and what is it doing. Suppose you couldn't make a single firearm unless you got a raw material out of your enemy's country. What would you do? We will just get it down to the absurd.

MR. WILSON: I don't have to think there are any such cases, but I would look at them first.

GENERAL EISENHOWER: At one time before they uncovered any manganese sources in India we were pretty desperate before Russia cut us off.

MR. WILSON: I was pretty close to that.

GENERAL EISENHOWER: You can't follow blind prejudice on determining trade routes. They say, "Blockade them," and frequently all a blockade does is to drive them over to communism and they have got to stay there.

MR. WILSON: Maybe it just happens to be my piece of it now, but I have been that way a long time. We had a tough session in General Motors before World War I. We had that Opel plant and Hitler wanted us to make transmissions. We had a big to-do about that. The majority of us finally said we would build cars and trucks, that being the business we were in, and we wouldn't build a thing in that area.

Of course, he seized the plant and put his outfit in to do it. I am a little tough, actually, on that. Maybe I am prejudiced.

GENERAL EISENHOWER: I think that is absolutely right.

MR. WILSON: We had no military responsibility at that time whatsoever, but we just weren't going to do it as Americans.

b20 **GENERAL EISENHOWER:** Well, remember this: you are trying to set up out of Moscow what you might call a series of centrifugal forces. The last thing you can do is to begin to do things that force all these peripheral countries, the Baltic States, Poland, Czechoslovakia and the rest of them, to depend on Moscow for the rest of their lives. How are you going to keep them interested in you? If you trade with them, Charlie, you have got something pulling their interest your way. You see, you immediately jump to guns and ammunition. I am not talking in those terms. It must be selective. You are not going to keep them looking toward us and trying to get out from under that umbrella unless you give something in the way of inducement to come out. You just can't preach abstraction to a man who has to turn for his daily living in some other direction.

MR. WILSON: I am a pretty good compromiser when I understand the facts, but I think I am going to be on the tough side on this one.

GENERAL EISENHOWER: Charlie, I am talking common sense. I am not saying are you tough or are you soft. I am saying how can we most damage the Kremlin.

MR. LODGE: Which is the most profitable thing to do?

MR. WILSON: I don't think we have quite analyzed what is going on on that basis. I think we need to look it over. I am not for going on just to make a little money for somebody.

GOVERNOR ADAMS: Before we leave, if you will tell Mr. Hagerty how to report this meeting.

MR. HAGERTY: Will we have any report at all of this meeting, General, or merely say we will continue tomorrow morning at 9:30?

B21 **GENERAL EISENHOWER:** I would say we are having discussions about our future duties. We are getting acquainted with each other and so on, in nice words.

MR. STASSEN: Before we close the first session, may I say that it is an inspiration to meet with you, sir.

GENERAL EISENHOWER: Thank you.

MR. HAGERTY: On the photographs, they would like to have a photograph both for stills and cameramen. They are set up in the next room. If you will give me two minutes to go in there, I will get that set up. This is the first official photograph of the Cabinet and the people that you have designated as Cabinet members. I would like to get that lined up in there.

GENERAL EISENHOWER: All right.

(At 5:00 o'clock p.m. the conference was adjourned.)

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~~CONFIDENTIAL~~

1/26/53

Report on Commodore Cabinet Meeting, Tuesday, January 13, 1953

Mr. Stephens reports that with rare exceptions, the material presented in this meeting did not excite discussion or profound comment. The reports were somewhat routine, involving presentation of the activities connected with the particular projects. None was of policy-making type.

In regard to the prodedure on making appointments, the President-elect stated strongly that "friendship with him" did not warrant consideration; on the contrary, anyone who claimed friendship with the General should be immediately denied consideration for any position.

L.A.M.
Minnich

~~CONFIDENTIAL~~

MINUTES OF THE CABINET MEETING HELD IN THE SOUTH ROOM OF THE HOTEL COMMODORE, MONDAY, JANUARY 12, 1953

The following were present:

President-elect Eisenhower
Vice President-elect Nixon
Secretary of State-designate Dulles
Secretary of the Treasury-designate Humphrey
Secretary of Defense-designate Wilson
Postmaster General-designate Summerfield
Secretary of the Interior-designate McKay
Secretary of Agriculture-designate Benson
Secretary of Commerce-designate Weeks
Secretary of Labor-designate Durkin

U. S. Representative to the United Nations-designate Lodge
Federal Security Administrator-designate Mrs. Hobby
Mutual Security Administrator-designate Stassen
Director of Bureau of Budget-designate Dodge

The Assistant to the President Adams
Special Assistant Persons
Administrative Assistant Hauge
Administrative Assistant Hughes
Administrative Assistant Cutler
Press Secretary Hagerty
Special Counsel Stephens

Attorney General-designate Brownell joined the meeting at 3:30 p. m.

At the beginning of the luncheon which started at 12:30 p. m., President-elect Eisenhower requested Secretary of Agriculture-designate Ezra Taft Benson to lead the meeting in prayer. The luncheon proper lasted one hour, and at 1:30 p. m., President-elect Eisenhower called the business meeting to order.

The President-elect welcomed the members of his Cabinet and the heads of agencies designated by him to sit in on the Cabinet meetings. He then read a draft of his Inaugural Address, asking those attending the meeting to make comments on the address when the subject was brought up later in the meeting.

The first order of business was the schedule and arrangements for Inaugural week. Mr. Stephens introduced Mr. Joseph McGarraghy, Chairman of the Inaugural Committee, and Mr. Mark Trice, Secretary of the Joint Congressional Inaugural Committee.

Mr. McGarraghy and Mr. Trice explained in detail the ceremonies to be held during the celebration, and further detailed copies of this program were transmitted to each of those present.

There then followed a brief discussion of the schedule of action by the Senate on the confirmation of Cabinet members. It was reported that the Senate would meet following the Inauguration of the President and the Vice President to confirm these nominations.

President-elect Eisenhower invited the members of the Cabinet to come to the White House after the Inauguration Parade and to be sworn in to office in a group. He emphasized that this was a matter of their own decision and should they wish more personal swearing-in ceremonies the following day, he would have no objections.

The President-elect also invited the members of the Cabinet and their families to the religious service to be held at the National Presbyterian Church at 9:30 a.m. on Inaugural Day.

The next order of business was a brief report by Mr. Cutler on the duties of the National Security Council. The President stressed the point that the National Security Council was not in any sense to be considered as a separate Cabinet but was to guide the members of his administration in the defense and security problems confronting the nation.

There then followed a brief discussion on the question of the reorganization of the federal government. It was unanimously agreed that the first order of business in any reorganization plans would be the continuance by Congress for two years of the present Reorganization Bill which expires this April.

The final order of business consisted of a round-table discussion of the Inaugural Address.

Following the end of the session, official photographs were taken of the President-elect, Vice President-elect and members of the Cabinet by the press, newsreel and television representatives in the Century Room.

The meeting adjourned at 4:50 p.m. The meetings will be continued with sessions starting Tuesday morning at 9:30 a.m.

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Notes on Commodore "Cabinet Meeting" — January 13, 1953

(As reported by Hauge -- 1/21/53)

1. Agenda for Tuesday was not closely followed. The two items listed for presentation by Gov. Adams -- White House organization etc., and Advertising Council Project -- were omitted entirely.

2. Mr. Dodge's presentation if the budget was mainly a factual presentation of the make-up of the budget. (See accompanying material). One highlight was the emphasis placed on the fact that the new adminstration had inherited extremely heavy obligations from its predecessor. Many projects already authorised would demand a continuing large budget for year to come.

3. Appointments. -- The discussion of procedure on making appointments was led by Arthur Summerfield who presented for the information of the Cabinet the plan previously worked out. This plan centered on having the Republican National Committee ~~to~~ function as the clearing house for appointments. Summerfield talked from a paper he had prepared.

4. Press Relations-- Hagerty discussed this subjedt. General Eisenhower made the point that he did not want Cabinet officers to get clearance for their speeches from the White House. He expected them to use their own judgment on what should or should not be said in public pronouncements.

5. Commission on Welfare.-- The General pointed out that he and Senator Taft had discussed the subject, and the Senator had made a proposal to examine the whole role of the Federal government in the field of welfare. An important part of the subject, as discussed by DDE and the Senator, was the division of tax income between federal and state governments. The discussion in the Cabinet conference was limited to the subject of the Commission, without getting into the substance of welfare measures appropraite for the federal govt.

6. In this discussion, a general feeling was expressed that the country should not be exposed to too heavy a diet of commissions — that the people had elected this administration with the expectation that it had a program and was ready to act. It was felt, however, that this welfare commission would be appropriate.

(cont.--page 2)

6. Cold War Planning — C.D. Jackson outlined the objectives of a psychological warfare program. He emphasized that psych warfare was not a 'cloak and dagger' or 'back-room' affair.' He maintained that everything done by every department head had implications for psych warfare. Specifically, such things as regarded the public debt — the attitude towards it and the handling of it — could be treated in ways that would be beneficial to our interests in the cold war.

7. Reorganization Committee—Nelson Rockefeller made a progress report on the work of the Temple Univ. Committee. (See accompanying material) This report indicated the fields of activity, but did not present any specific proposals for reorganization. The subject treated on Monday, in regard to the Ferguson Brown proposal for a Congressional Comm. on reorganization, was not reopened.

8. Most of the discussion on Tuesday morning had to do with price and wage controls. Messrs. Humphrey and Wilson were the strongest proponents of a quick and definitive end to such controls. Mr. Humphrey later softened his stand on the timing of such action — towards a slight delay if necessary.

The possibility of having stand-by controls was discussed. Humphrey advocated that there not be any, but that the administration should merely indicate its willingness to go to Congress for new controls should they become necessary as the result, for instance, of a ~~ff~~ further outbreak of war.

General Eisenhower, Senator Lodge, and Gov. Stassen maintained a position of moderation in regardto timing and extent of decontrol. They did not want to move too quickly, or to strip the admin. of all powers.

Sinclair Weeks was assigned two projects in regard to (a) wage-price controls and (b) regulatory agencies. (He sent DDE reports on these sometime after the Conference, for use in conjunction with the State of the Union message.)

f.a.m.

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TENTATIVE INAUGURAL PROGRAM FOR CABINET OFFICERS

(For planning purposes only until after the Cabinet Meeting in New York on Monday and Tuesday, January 12 and 13, 1953)

A consolidation of existing plans of:

Inauguration Committee, 1953
Joint Congressional Committee
Republican National Committee

Prepared at the request of:

Arthur E. Summerfield
Chairman
Republican National Committee

LeRoy V. Greene
Assistant to the Chairman

GENERAL

1. The Inaugural activities will cover a period of five days from Saturday, January 17 through Wednesday, January 21.

2. Military Aides will be assigned to each Cabinet Officer and Governor by the Chairman of the Inaugural Committee. These aides will report to the individual concerned at the arranged hour.

3. Transportation for each individual concerned will be provided, with chauffeur, by the Chairman of the Inaugural Committee and the chauffeur will report by contact through the aide.

4. Contact for assignment of aides and chauffeurs (IMPORTANT) should be made immediately by letter or wire to the Inaugural Committee advising time and place each Cabinet member desires the transportation. The letter or wire should be handled individually by each Cabinet member. If the telephone is used one of the following two people should be contacted:

   Edward F. Colladay
   or
   Mr. Brock
   (STerling 3-9240)

   The address of the Inaugural Committee is 1420 Pennsylvania Avenue, N. W., Washington, D. C. This transportation and service will be available from January 18 through January 20. If this service is desired a day or two before or after, such arrangements can be made and the Inaugural Committee should be notified. If the Cabinet member desires to be met at the train or plane, this, too, can be arranged. It is important to remember that the original notification to use this service must come from the Cabinet member.

5. These cars will bear special Inaugural tags on their license plates to expedite their movement through traffic. Special arrangements for this have been made with the Police Department through the Inaugural Committee.

Saturday, January 17

Time	Place	Event
10 a.m.	Mayflower Hotel Chinese Room	Republican National Committee Meeting
11:45 a.m.	Mayflower Hotel Chinese Room	Meeting recesses
12 noon	Mayflower Hotel Ballroom	Luncheon
12:30 p.m.	Statler Hotel Presidential & Congressional Rooms	Fashion Show

(1. This is an event for the Cabinet members' wives and other distinguished Republican ladies. It is under the sponsorship of the District League of Republican Women, of which Mrs. Carroll D. Kearns is president. There will be State tables with the ladies assigned to their places.)

1 p.m.	Mayflower Hotel Chinese Room	Republican National Committee Meeting resumes
4 p.m.	Mayflower Hotel Chinese Room	Meeting ends
7 p.m.	Mayflower Hotel Ballroom	Dinner of Republican National Committee as guests of the National Chairman

(2. Cabinet Officers and wives are invited to attend the dinner at 7 p.m. as honored guests of the National Committee. Dress: Ladies - evening: Gentlemen - black tie.)

Sunday, January 18

Time	Place	Event
A.M.	Nothing Scheduled	

3:30 p.m.	Statler Hotel	Governors' Reception
6 p.m.	Statler Hotel	Governors' Reception ends

(1. The Inaugural Committee is tendering a reception in honor of the Governors of the States and special distinguished guests. Cabinet members will attend as guests of honor. Dress: Ladies - afternoon; Gentlemen - striped pants, dark coats, Homburg hats (as per telegram from Sherman Adams).)

8:15 p.m.	Place of residence	Leave for Constitution Hall
8:45 p.m.	Constitution Hall	Inaugural Symphony Concert

(1. The Inaugural Committee is staging a symphony concert, as the music event of the Inaugural activities, with tickets on sale from $4.80 to $12. Important Note: There are no guest tickets for this event and tickets must be purchased. Dress: Ladies - evening, Gentlemen - black tie.)

Monday, January 19

Time	Place	Event
A.M.	Nothing Scheduled	
7:45 p.m.	Place of residence	Depart for Uline Arena
8:30 p.m.	Uline Arena	Inaugural Festival
10:30 p.m.	Uline Arena	Depart for place of residence

(1. This is the Inaugural show, under the direction of George Murphy, the movie actor, in which celebrities of stage, screen and television will participate. Cabinet members will attend as honor guests of the Committee. Dress: Ladies - informal, Gentlemen - informal.)

Tuesday, January 20

Time	Place	Event
9:20 a.m.	Statler Hotel	President-elect and Mrs. Eisenhower leave for church services
9:25 a.m.	National Presbyterian Church, Connecticut Avenue and N Street	President-elect and Mrs. Eisenhower arrive for church services
9:30 a.m.	National Presbyterian Church	Church services commence
9:50 a.m.	National Presbyterian Church	Church services concluded
9:55 a.m.	National Presbyterian Church	President-elect and Mrs. Eisenhower leave church for Statler Hotel
10:05 a.m.	Statler Hotel	President-elect and Mrs. Eisenhower arrive at place of residence

(Cabinet members to attend?)

(List of those to attend being made up now)

11 a.m.	Place of residence	Depart for Capitol
11:30 a.m.	Capitol Inaugural Stands	Arrive and go to place of assembly which will be announced later
12 noon	Capitol Inaugural Stands	Inaugural Ceremonies commence
12:50 p.m.	Capitol Inaugural Stands	Inaugural Ceremonies conclude
12:55 p.m.	Capitol Inaugural Stands	Depart for luncheon in Capitol
1:00 p.m.	(Place in Capitol for luncheon to be announced)	Luncheon for Cabinet members by Chairman of the Inaugural Committee
1:20 p.m.		Depart for car in Parade at Capitol entrance
1:30 p.m.	Front of Capitol	Move out in Parade

Tuesday, January 20 (continued)

Time	Place	Event
2:15 p.m.	White House Reviewing Stand	Arrive
2:16 p.m.	White House Reviewing Stand	Dismount from vehicle and take place in reviewing stand (each Cabinet member has two tickets)
2:20 p.m.	White House Reviewing Stand	Review Parade with President
5:00 p.m. (approximate)	White House Reviewing Stand	End of Parade
5:10 p.m. (approximate)	White House Reviewing Stand	Depart for place of residence
5:15 p.m.	At place of residence	Free time
9:15 p.m.	At place of residence	Leave for Inaugural Ball
10:00 p.m.	National Guard Armory	Arrive in ballroom and go to boxes
10:30 p.m.	National Guard Armory	President and Mrs. Eisenhower arrive
11:15 p.m.	National Guard Armory	President and Mrs. Eisenhower depart

(Will Cabinet members go with the President?)

Time	Place	Event
11:30 p.m.	Georgetown University Gymnasium	President and Mrs. Eisenhower arrive
12:15 a.m.	Georgetown University Gymnasium	President and Mrs. Eisenhower depart
-----	National Guard Armory	Cabinet members depart and return to place of residence

(1. Dress for Ball: Ladies - full evening, Gentlemen - white tie.)

NOTE:

Following is the outline of the movement of President-elect and Mrs. Eisenhower during the period 11:15 a.m. and 12:30 p.m.

Time	Place	Event
11:20 a.m.	Statler Hotel	President-elect and Mrs. Eisenhower leave
11:30 a.m.	White House	President-elect and Mrs. Eisenhower arrive
11:30 a.m.	White House	President-elect greeted by President
11:31 a.m.	White House	President and President-elect depart for Capitol
11:44 a.m.	Capitol	President and President-elect arrive
11:44 a.m. - noon	(Details to come for Congressional Committee on room in Capitol where President will stay until he appears on the Inaugural stand promptly at 12 noon with control in the hands of Secret Service.)	
12:51 p.m.	Capitol Inaugural Stands	President goes to Office of Secretary of the Senate as guest of Joint Congressional Committee.
1:25 p.m.	Senate Office	President leaves for parade
1:30 p.m.	Capitol entrance	President leads off parade

Wednesday, January 21

Time	Place	Event
Nothing scheduled in A.M.		
1 p.m.	Statler Hotel	Mrs. Priest's luncheon for Republican ladies

(1. This event will be attended by Cabinet members' wives, among other Republican women. Dress - afternoon.)

Release on receipt

Joint Statement by SENATOR HOMER FERGUSON, of Michigan, and REPRESENTATIVE CLARENCE J. BROWN, of Ohio, on introduction of a bill for "The establishment of the Commission on Organization of the Executive Branch of the Government".

The legislation which we are jointly introducing in the House and Senate today will add another important weapon to the battle for preservation of our American way of life. It will provide for a new and wider study of the methods for bringing greater economy and efficiency in the conduct of public business.

In brief, the bill provides for the establishment of a new commission to survey the Federal government, but with important and major differences from the original 1947 "Hoover" Commission. The Commission, composed of 12 members, four each appointed by the President, the Speaker of the House of Representatives and the President of the Senate, will conduct a thorough and intensive study of the Federal government and report its findings to the Congress next year.

The most important aspect of this Commission lies in the purposes of its investigations, which differ considerably from the aims which guided the original Commission on organization of the executive branch of the Government.

This Commission will explore and investigate the services, activities and functions of the Federal government with a view to "abolishing services, activities and functions not necessary to the efficient conduct of government; eliminating services, functions and activities more properly within the jurisdiction of state and local governments, and, eliminating non-essential services, functions, and activities which are competitive with private enterprise".

The Commission will conduct a long-range study of the fundamental activities of our Federal government and its relationships with state and local governments. It will open new ground in surveying the relationships between the levels of American government... a field not covered by the Hoover Commission or any other government reorganization effort.

It should be pointed out that the Commission will make recommendations, based on the results of its investigations, to the Congress and the Congress has complete authority to accept or reject those recommendations. The Commission will be widely representative and the sponsors contemplate that its members shall be men (or women) of outstanding ability and wide experience who would be chosen solely for their ability and qualifications for the job.

Ours is a government of limited powers and the founding fathers were definite and explicit in separating our total government into proper spheres of action based on matters of Federal, state or local concern. The founding fathers were also concerned lest the government enter fields reserved to the individual. Recent years have seen the development of a wide-spread shift away from this division of powers. The Federal government has poached on the activities of the states, the local governments and the private citizen to an ever increasing extent. This Commission would study that field of relationship and the sponsors feel that such a study would be of tremendous value in straightening out the tangles of inter-governmental relations, and that the work of this Commission can produce results which will strengthen and fortify our free heritage.

The Commission we propose will in no way conflict with the immediate, short-range study of Government reorganization which President-elect Eisenhower has set in motion. The Commission would observe the activities of the President's committee, aid and strengthen their recommendations and carry on beyond the scope of that group. This Commission, would use the recommendations of the Hoover Commission as a starting point but would enlarge on them and go beyond them, since that group limited its studies to the efficient operation of the government without considering the nature and purpose of the activities of the government.

The need for an overall evaluation of Federal activities is compelling and we believe the Commission provided in this legislation to be a loud and clear answer to the growing riddle of how to maintain individual liberty and at the same time maintain a strong Nation.

We feel certain that the members of the Commission will be men of the same high caliber as those who served on the "Hoover " Commission and under their leadership great benefits can arise from the work of the Commission. The Nation will derive much greater economy and efficiency in their government.

Senator Homer Ferguson, of Michigan, and Representative Clarence J. Brown, of Ohio, introduce the following bill:

For the establishment of the Commission on Organization of the Executive Branch of the Government

DECLARATION OF POLICY

SECTION 1. It is hereby declared to be the policy of Congress to promote economy, efficiency, and improved service in the transaction of the public business in the departments, bureaus, agencies, boards, commissions, offices, independent establishments, and instrumentalities of the executive branch of the Government by -

(1) limiting expenditures to the lowest amount consistent with the efficient performance of essential services, activities, and functions;

(2) eliminating duplication and overlapping of services, activities, and functions;

(3) consolidating services, activities, and functions of a similar nature;

(4) abolishing services, activities, and functions not necessary to the efficient conduct of government;

(5) defining and limiting executive functions, services, and activities;

(6) eliminating services, functions and activities more properly within the jurisdiction of state and local governments;

(7) eliminating nonessential services, functions, and activities which are competitive with private enterprise;

(8) postponing expenditures during periods of heavy defense commitments where deferral will not impair essential functioning of government;

(9) defining responsibilities of officials; and

(10) relocating agencies now responsible directly to the President in departments or other agencies.

ESTABLISHMENT OF THE COMMISSION ON ORGANIZATION OF THE EXECUTIVE BRANCH

SEC. 2. For the purpose of carrying out the policy set forth in Section 1 of this Act, there is hereby established a commission to be known as the Commission on Organization of the Executive Branch of the Government (in this Act referred to as the "Commission").

MEMBERSHIP OF THE COMMISSION

SEC. 3. (a) NUMBER AND APPOINTMENT — the Commission shall be composed of twelve members as follows:

(1) Four appointed by the President of the United States, two from the executive branch of the Government and two from private life;
(2) Four appointed by the President pro tempore of the Senate, two from the Senate and two from private life; and
(3) Four appointed by the Speaker of the House of Representatives, two from the House of Representatives and two from private life.

(b) QUALIFICATION OF MEMBERS. Of each class of four members appointed under paragraphs (1), (2) and (3) of subsection (2), respectively, one member, if available, shall have served on the Commission established pursuant to the act entitled "An Act for the Establishment of the Commission on Organization of the Executive Branch of the Government", approved July 7, 1947.

(c) VACANCIES — Any vacancy in the Commission shall not affect its powers, but shall be filled in the same manner in which the original appointment was made.

ORGANIZATION OF THE COMMISSION

SEC. 4. The Commission shall elect a Chairman and a Vice Chairman from among its members.

QUORUM

SEC. 5. Seven Members of the Commission shall constitute a quorum.

COMPENSATION OF MEMBERS OF THE COMMISSION

Sec. 6. (a) MEMBERS OF CONGRESS.-- Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(b) MEMBERS FROM THE EXECUTIVE BRANCH.-- The members of the Commission who are in the executive branch of the Government shall serve without compensation in addition to that received for their services in the executive branch, but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(c) MEMBERS FROM PRIVATE LIFE.-- The members from private life shall each receive $75 per diem when engaged in the actual performance of duties vested in the Commission, plus reimbursement for travel, subsistence, and other necessary expenses incurred by them in the performance of such duties.

STAFF OF THE COMMISSION

SEC. 7. The Commission shall have power to appoint and fix the compensation of such personnel as it deems advisable, in accordance with the provisions of the civil service laws and the Classification Act of 1923, as amended.

EXPENSES OF THE COMMISSION

SEC. 8. There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, so much as may be necessary to carry out the provisions of this Act.

EXPIRATION OF THE COMMISSION

SEC. 9. Ninety days after the submission to the Congress of the report provided for in section 10(b), the Commission shall cease to exist.

DUTIES OF THE COMMISSION

SEC. 10. (a) INVESTIGATION.-- The Commission shall study and investigate the present organization and methods of operation of all departments, bureaus, agencies, boards, commissions, offices, independent establishments, and instrumentalities of the executive branch of the government, to determine what changes therein are necessary in their opinion to accomplish the purposes set forth in section 1 of this Act.

(b) REPORT.-- The Commission shall make a report of its findings and recommendations to the Congress not later than February 1st, 1954.

POWERS OF THE COMMISSION

SEC. 11. (a) HEARINGS AND SESSIONS.-- The Commission, or any member thereof, may, for the purpose of carrying out the provisions of this Act, hold such hearings and sit and act at such times and places, and take such testimony, as the Commission or such member may deem advisable. Any member of the Commission may administer oaths or affirmations to witnesses appearing before the Commission or before such member.

(b) OBTAINING OFFICIAL DATA.-- The Commission is authorized to secure directly from any executive department, bureau, agency, board, commission, office, independent establishment, or instrumentality information, suggestions, estimates, and statistics for the purpose of this Act; and each department, bureau, agency, board, commission, office, establishment, or instrumentality is authorized and directed to furnish such information, suggestions, estimates, and statistics directly to the Commission, upon request made by the Chairman or Vice Chairman.

83d CONGRESS
1st Session

H. R. 992

IN THE HOUSE OF REPRESENTATIVES

January 6, 1953

Mr. Brown of Ohio introduced the following bill; which was referred to the Committee on Government Operations

---

A BILL

For the establishment of the Commission on Organization of the Executive Branch of the Government.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

DECLARATION OF POLICY

Section 1. It is hereby declared to be the policy of Congress to promote economy, efficiency, and improved service in the transaction of the public business in the departments, bureaus, agencies, boards, commissions, offices, independent establishments, and instrumentalities of the executive branch of the Government by—

(1) limiting expenditures to the lowest amount

I

consistent with the efficient performance of essential services, activities, and functions;

(2) eliminating duplication and overlapping of services, activities, and functions;

(3) consolidating services, activities, and functions of a similar nature;

(4) abolishing services, activities, and functions not necessary to the efficient conduct of government;

(5) defining and limiting executive functions, services, and activities;

(6) eliminating services, functions and activities more properly within the jurisdiction of state and local governments;

(7) eliminating nonessential services, functions, and activities which are competitive with private enterprise;

(8) postponing expenditures during periods of heavy defense commitments where deferral will not impair essential functioning of government;

(9) defining responsibilities of officials; and

(10) relocating agencies now responsible directly to the President in departments or other agencies.

ESTABLISHMENT OF THE COMMISSION ON ORGANIZATION OF THE EXECUTIVE BRANCH

SEC. 2. For the purpose of carrying out the policy set forth in section 1 of this Act, there is hereby established a commission to be known as the Commission on Organization of the Executive Branch of the Government (in this Act referred to as the "Commission").

MEMBERSHIP OF THE COMMISSION

Sec. 3. (a) Number and Appointment.—The Commission shall be composed of twelve members as follows:

(1) Four appointed by the President of the United States, two from the executive branch of the Government and two from private life;

(2) Four appointed by the President pro tempore of the Senate, two from the Senate and two from private life; and

(3) Four appointed by the Speaker of the House of Representatives, two from the House of Representatives and two from private life.

(b) Qualification of Members.—Of each class of four members appointed under paragraphs (1), (2), and (3) of subsection (a), respectively, one member, if available, shall have served on the Commission established pursuant to the Act entitled "An Act for the establishment of the Commission on Organization of the Executive Branch of the Government", approved July 7, 1947.

(c) Vacancies.—Any vacancy in the Commission shall not affect its powers, but shall be filled in the same manner in which the original appointment was made.

ORGANIZATION OF THE COMMISSION

SEC. 4. The Commission shall elect a Chairman and a Vice Chairman from among its members.

QUORUM

SEC. 5. Seven members of the Commission shall constitute a quorum.

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SEC. 6. (a) MEMBERS OF CONGRESS.—Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(b) MEMBERS FROM THE EXECUTIVE BRANCH.—The members of the Commission who are in the executive branch of the Government shall serve without compensation in addition to that received for their services in the executive branch, but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(c) MEMBERS FROM PRIVATE LIFE.—The members from private life shall each receive $75 per diem when engaged in the actual performance of duties vested in the Commission, plus reimbursement for travel, subsistence, and other necessary expenses incurred by them in the performance of such duties.

STAFF OF THE COMMISSION

SEC. 7. The Commission shall have power to appoint and fix the compensation of such personnel as it deems advisable, in accordance with the provisions of the civil service laws and the Classification Act of 1923, as amended.

EXPENSES OF THE COMMISSION

SEC. 8. There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, so much as may be necessary to carry out the provisions of this Act.

EXPIRATION OF THE COMMISSION

SEC. 9. Ninety days after the submission to the Congress of the report provided for in section 10 (b), the Commission shall cease to exist.

DUTIES OF THE COMMISSION

SEC. 10. (a) INVESTIGATION.—The Commission shall study and investigate the present organization and methods of operation of all departments, bureaus, agencies, boards, commissions, offices, independent establishments, and instrumentalities of the executive branch of the government to determine what changes therein are necessary in their opinion to accomplish the purposes set forth in section 1 of this Act.

(b) REPORT.—The Commission shall make a report of its findings and recommendations to the Congress not later than February 1, 1954.

POWERS OF THE COMMISSION

SEC. 11. (a) HEARINGS AND SESSIONS.—The Commission, or any member thereof, may, for the purpose of carrying out the provisions of this Act, hold such hearings and sit and act at such times and places, and take such testimony, as the Commission or such member may deem advisable. Any member of the Commission may administer oaths or affirmations to witnesses appearing before the Commission or before such member.

(b) OBTAINING OFFICIAL DATA.—The Commission is authorized to secure directly from any executive department, bureau, agency, board, commission, office, independent establishment, or instrumentality information, suggestions, estimates, and statistics for the purpose of this Act; and each such department, bureau, agency, board, commission, office, establishment, or instrumentality is authorized and directed to furnish such information, suggestions, estimates, and statistics directly to the Commission, upon request made by the Chairman or Vice Chairman.

83d CONGRESS
1st Session

H. R. 992

A BILL

For the establishment of the Commission on Organization of the Executive Branch of the Government.

By Mr. Brown of Ohio

January 6, 1953

Referred to the Committee on Government Operations

Material presented
by Mr. Rockefeller
1/13/53

January 13, 1953

SPECIAL COMMITTEE ON GOVERNMENT ORGANIZATION

Nelson A. Rockefeller, Chairman
Milton S. Eisenhower
Arthur S. Flemming

I. Staff Committee

The Special Committee on Government Organization functions in a staff capacity to the President. Working closely with Governor Adams, Mr. Joseph Dodge, General Persons and the new Department and Agency heads, it is developing recommendations for immediate improvements in organization and management in the Executive Branch to permit greater efficiency and economy.

The entry of the new Republican Administration provides a unique opportunity for substantial progress in this field.

The Committee will publish no reports.

II. Objectives

1. Strengthening the executive authority of the President and of the heads of Departments and Agencies to facilitate administration within the Executive Branch.

2. Clarifying the internal organization of individual Departments or Agencies.

3. Improving Government-wide procedures within the Executive Branch, particularly in the fields of personnel, management and budget controls, with a view to facilitating and strengthening Departmental Management.

4. Better grouping of related or overlapping Governmental activities through interdepartmental transfers.

5. Eliminating functions which have outlived their usefulness, and curtailing activities which are extended beyond present need.

III. Procedure

1. Review of pertinent material prepared in recent years on improvements in Government organization, including:
    - Hoover Commission Report;
    - Temple University Survey;
    - Bureau of the Budget staff papers; and
    - Special Departmental studies.

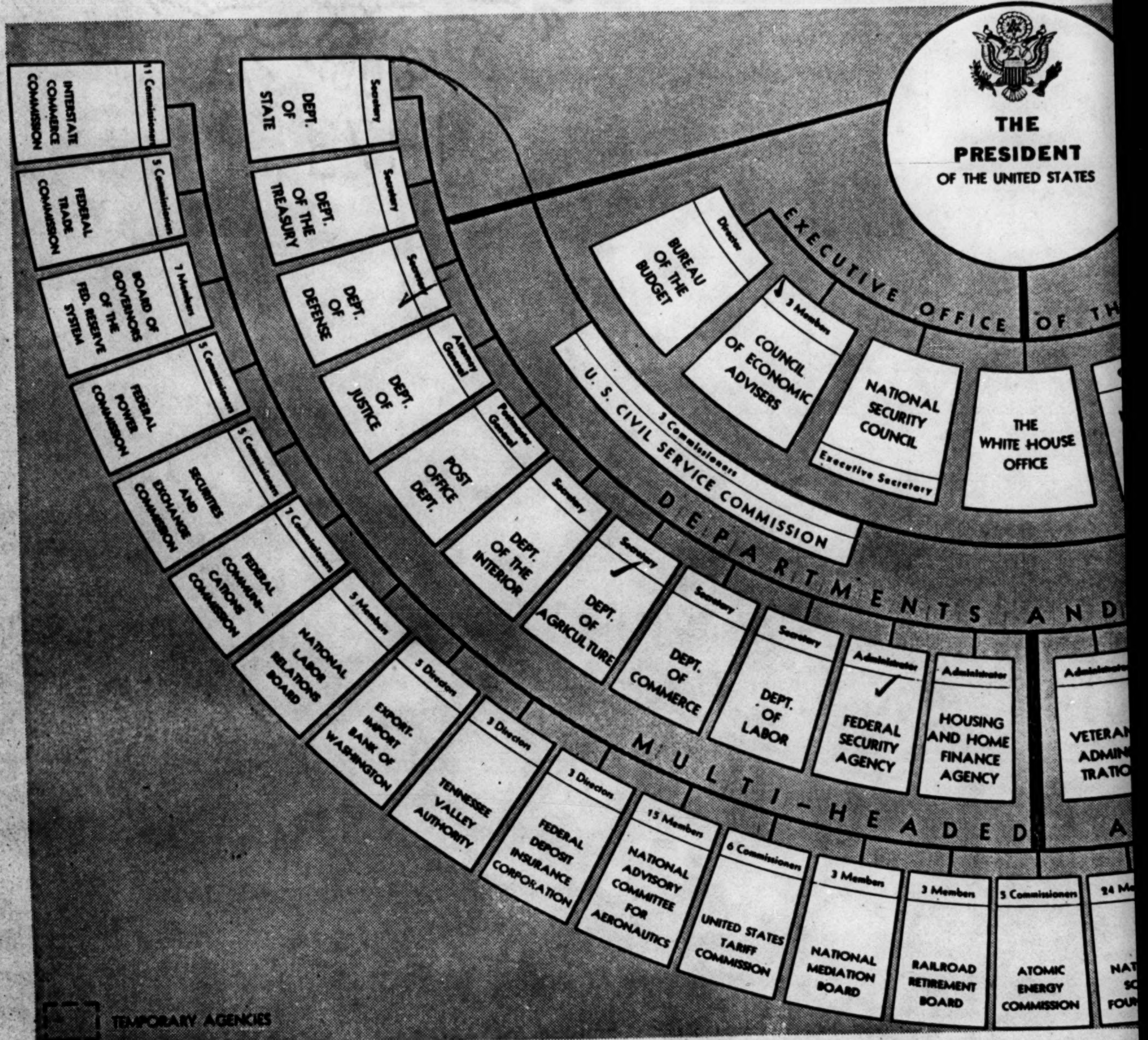
2. Evaluation of material in relation to the above objectives, and preparation of tentative recommendations for action.

3. Discussions with the Budget Director, Cabinet heads and Congressional leaders to develop common views on organization and management recommendations. These recommendations will take into consideration the political issues involved.

4. Submission of a series of recommendations to the President for approval.

5. The Committee to be of such assistance as appropriate in connection with:
    - (a) Preparation by the Bureau of the Budget and Departments of proposed legislation and Executive Orders to carry out the approved recommendations, and
    - (b) Preparation of a time schedule for submission of legislation by the Director of the Budget.

EXECUTIVE BRANCH OF


THE PRESIDENT
OF THE UNITED STATES
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Director
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3 Members
COUNCIL OF ECONOMIC ADVISERS
NATIONAL SECURITY COUNCIL
Executive Secretary
THE WHITE HOUSE OFFICE
3 Commissioners
U. S. CIVIL SERVICE COMMISSION
DEPARTMENTS AND
Secretary
DEPT. OF STATE
Secretary
DEPT. OF THE TREASURY
Secretary
DEPT. OF DEFENSE
Attorney General
DEPT. OF JUSTICE
Postmaster General
POST OFFICE DEPT.
Secretary
DEPT. OF THE INTERIOR
Secretary
DEPT. OF AGRICULTURE
Secretary
DEPT. OF COMMERCE
Secretary
DEPT. OF LABOR
Administrator
FEDERAL SECURITY AGENCY
Administrator
HOUSING AND HOME FINANCE AGENCY
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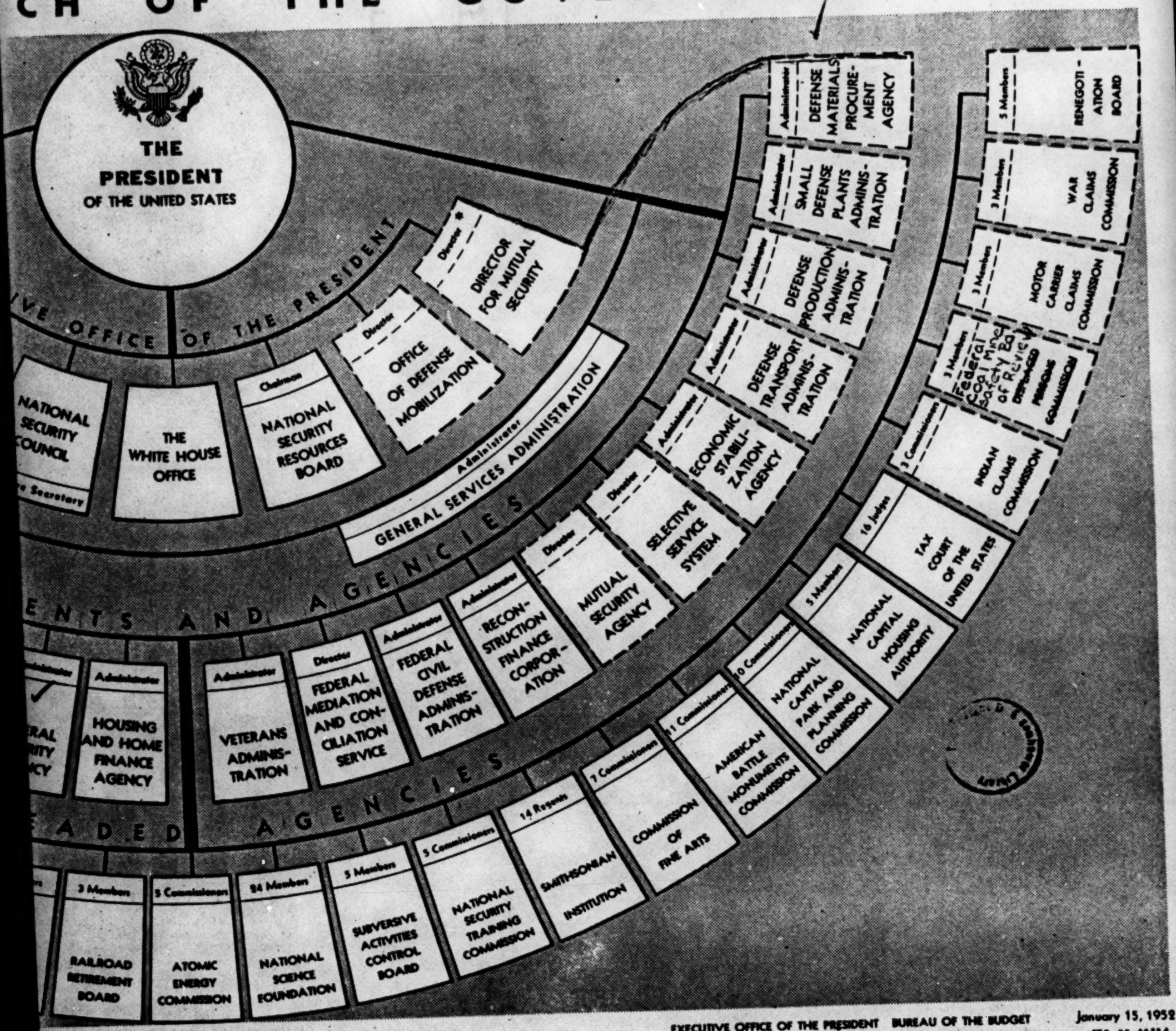
11 Commissioners
INTERSTATE COMMERCE COMMISSION
5 Commissioners
FEDERAL TRADE COMMISSION
7 Members
BOARD OF GOVERNORS OF THE FED. RESERVE SYSTEM
5 Commissioners
FEDERAL POWER COMMISSION
5 Commissioners
SECURITIES AND EXCHANGE COMMISSION
7 Commissioners
FEDERAL COMMUNICATIONS COMMISSION
5 Members
NATIONAL LABOR RELATIONS BOARD
5 Directors
EXPORT-IMPORT BANK OF WASHINGTON
3 Directors
TENNESSEE VALLEY AUTHORITY
3 Directors
FEDERAL DEPOSIT INSURANCE CORPORATION
15 Members
NATIONAL ADVISORY COMMITTEE FOR AERONAUTICS
6 Commissioners
UNITED STATES TARIFF COMMISSION
3 Members
NATIONAL MEDIATION BOARD
3 Members
RAILROAD RETIREMENT BOARD
5 Commissioners
ATOMIC ENERGY COMMISSION
24 Me
NAT SC FOU
TEMPORARY AGENCIES

* Serves also as the Director of the Mutual Security Agency

CH OF THE GOVERNMENT


THE PRESIDENT OF THE UNITED STATES
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NATIONAL SECURITY COUNCIL
e Secretary
THE WHITE HOUSE OFFICE
Chairman
NATIONAL SECURITY RESOURCES BOARD
Director
OFFICE OF DEFENSE MOBILIZATION
Director *
DIRECTOR FOR MUTUAL SECURITY
Administrator
GENERAL SERVICES ADMINISTRATION
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HOUSING AND HOME FINANCE AGENCY
Administrator
VETERANS ADMINISTRATION
Director
FEDERAL MEDIATION AND CONCILIATION SERVICE
Administrator
FEDERAL CIVIL DEFENSE ADMINISTRATION
Administrator
RECONSTRUCTION FINANCE CORPORATION
Director
MUTUAL SECURITY AGENCY
Director
SELECTIVE SERVICE SYSTEM
Administrator
ECONOMIC STABILIZATION AGENCY
Administrator
DEFENSE TRANSPORT ADMINISTRATION
Administrator
DEFENSE PRODUCTION ADMINISTRATION
Administrator
SMALL DEFENSE PLANTS ADMINISTRATION
Administrator
DEFENSE MATERIALS PROCUREMENT AGENCY
5 Members
RENEGOTIATION BOARD
3 Members
WAR CLAIMS COMMISSION
3 Members
MOTOR CARRIER CLAIMS COMMISSION
3 Members
Federal Coal Mine Safety Bd of Review
~~DISPLACED PERSONS COMMISSION~~
3 Commissioners
INDIAN CLAIMS COMMISSION
16 Judges
TAX COURT OF THE UNITED STATES
5 Members
NATIONAL CAPITAL HOUSING AUTHORITY
10 Commissioners
NATIONAL CAPITAL PARK AND PLANNING COMMISSION
11 Commissioners
AMERICAN BATTLE MONUMENTS COMMISSION
7 Commissioners
COMMISSION OF FINE ARTS
14 Regents
SMITHSONIAN INSTITUTION
5 Commissioners
NATIONAL SECURITY TRAINING COMMISSION
5 Members
SUBVERSIVE ACTIVITIES CONTROL BOARD
24 Members
NATIONAL SCIENCE FOUNDATION
5 Commissioners
ATOMIC ENERGY COMMISSION
3 Members
RAILROAD RETIREMENT BOARD
EADED AGENCIES

EXECUTIVE OFFICE OF THE PRESIDENT BUREAU OF THE BUDGET

January 15, 1952
GPO [illegible]

MINUTES

Cabinet Meeting
January 23, 1953
10:00 AM to 12:10 PM

The following were present:

President Eisenhower
Vice President Nixon
Secretary of State Dulles
Secretary of the Treasury Humphrey
Acting Secretary of Defense McNeil
Attorney General Brownell
Postmaster General Summerfield
Secretary of Agriculture Benson
Secretary of Commerce Weeks
Secretary of Labor Durkin
Ambassador Lodge
Mutual Security Administrator Stassen
Federal Security Administrator Hobby
Director of the Budget Dodge
Assistant to the President Adams
Administrative Assistant Cutler

1. Status of department and agency appointments.

Governor Adams indicated the White House is now ready to process appointments of departmental assistants and agency heads. It is desirable that FBI check-ups be instituted early even if it requires naming several potential appointees for one position. Cabinet Members wish to be informed of status of appointments to agencies related to their departments (e.g., State is interested in Tariff Commissioners). The President will welcome recommendations for these appointments.

2. State of the Union Message.

The President urged Cabinet Members to submit specific recommendations to Congress which they want incorporated in the Message. He was concerned lest the Message not have sufficient substance to warrant assembling Congress in joint session. Negative statements in the Message will be appropriate, for instance, that certain actions will not be recommended.

3. 1954 Budget Revision.

Mr. Dodge called attention to a letter being sent to Cabinet Members concerning proposed budgetary revisions. He noted major principles governing budget revisions, such as economy on personnel and on new construction. In general, there should be no increases without exceptionally careful consideration; on the other hand, there will be no across-the-board slashes. The President suggested that an introductory paragraph of this letter be devoted to setting forth basic facts governing the budget situation.

Mr. Dodge sketched the legislative situation in regard to the preparedness of committees and subcommittees to undertake action. The Interior committee is especially anxious to start and will probably begin with Hawaiian statehood. Rapid action is being urged in regard to a bill on submerged lands.

4. Procedure on declassification of some Civil Service positions.

There was a discussion of the necessity of declassifying some positions in order to ensure that the person responsible for a department would have control over this responsibility. It was noted that declassification must not be allowed to become a "spoils" operation. The President noted that close examination of existing laws on declassification might well be made by the Secretary of Commerce in conjunction with the Budget Bureau. Budget can answer questions on existing laws.

Several new assistant secretaryships are needed. Procedure on these was discussed at length with emphasis on Congressional relationships even should the Reorganization Act be used.

In connection with letters of resignation not yet acknowledged and accepted at the White House, Cabinet Members want to be consulted in regard to those which should be accepted in routine fashion and those which might better be delayed. Acceptances of resignations should be made through the appropriate department head.

4a. Security.

A discussion on security standards for Government personnel centered on the need for simplifying present procedures, protection of the rights of employees, personnel of security boards, emphasis on the term security rather than loyalty, and confidence of Congress and country in the effectiveness of the Administration's actions. The matter of doubtful security cases was discussed in terms of variations from agency to agency.

✓ 5. Iranian Oil Cartel case.

The Attorney General stated that he will ask for a delay in the hearing on this case because of its controversial nature.

6. Amendment to the Pure Food and Drug Act.

This is to be recommended to Congress by the Federal Security Administrator, if the President approves, and it can be used to add substance to the State of the Union Message. The discussion revealed that this does not involve any controversy between State and Federal inspectors as to jurisdiction.

7. Study of Federal-State Relationships.

Governor Adams presented the proposal to have the Secretary of the Treasury, the Federal Security Administrator, and the Director of the Budget work in conjunction with the Governors Conference on a study of appropriate relationships between the Federal Government and States in welfare matters and in the many other fields of overlapping jurisdiction. This proposal will also be taken up with Congressional leaders next Monday. Mrs. Hobby mentioned Senator Milliken's interest in having a similar Congressional study. The President saw no danger of duplication of effort since this is such a broad and important field.

8. White House history project.

The President reported the existence of this project and requested the cooperation of Cabinet Members where necessary.

9. Relationships with Congress.

The President described General Persons' function and invited Cabinet Members to call on him for assistance where desired. Cabinet Members in turn requested that General Persons indicate to them any signs of future difficulty in regard to any particular department. The President emphasized the necessity for recognizing the great responsibilities of Congress and the need for working closely with it.

The President also stated his intention of having weekly meetings with Congressional leaders, who will be free to bring along opposition members as they desire. The President requested advance notice from Cabinet Members of possible legislative problems so these can be discussed in the weekly meeting. Mr. Dodge invited Cabinet Members to make use of the Legislative Reference section of the Budget Bureau.

10. Public Relations.

The President urged that every effort be made to avoid appearances of disunity in public statements, to be achieved mainly by thorough discussion of issues in advance so that general lines of agreement may be reached. Mr. Weeks pointed to reciprocal trade treaties as a subject needing such discussion, and he was invited to add it to the agenda of a future Cabinet meeting. Responsibility for speeches rests with Cabinet Members, without any White House clearance needed.

The President requested each Cabinet Member to look over carefully the executive order on censorship, and to avoid using it as a cover-up.

11. Disqualification.

The President suggested that each Government official watch for places where favoritism might be involved because of personal interests and not hesitate to disqualify himself in such cases. The entire Administration should lean over backwards to avoid favoritism.

12. Mr. Dodge reported that no executive order is necessary to establish the Committee on International Information. A request to the CIA to establish it will be sufficient.

13. Cabinet meetings will continue to be held on Friday, as the most suitable day.

L.A.M.

(Reported by L. A. Minnich)
Copies only to Mrs. Whitman
and Minnich.

The President

THE WHITE HOUSE
WASHINGTON

AGENDA

Cabinet Meeting
January 30, 1953

✓ 1. State of the Union Message. (The President.)

✓ 2. Arrangements for Cabinet officers to attend the State of the Union Message ceremomy. (The Assistant to the President.)

✓ 3. Relations with Congress. (The Special Assistant to the President.)

✓ 4. Status of Congressional Investigations of Various Executive Departments. (The Attorney General by request of the Secretary of State.)

✓ 5. Budget Review letter. (The Director of the Budget.)

✓ 6. Status of the Extension of the Reorganization Act. (The Vice President.)

✓ 7. Replacement of Heads of Independent Agencies. (The Secretary of Agriculture.)

✓ 8. Report on February 17 Refunding. (The Secretary of the Treasury.)

✓ 9. Request of Committees of Congress to Review Department and Agency Activities and the Request for New Legislation. (The Federal Security Administrator.)

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By SHC NLE, Date 7-27-76

MINUTES
of
CABINET MEETING
January 30,1953
10:15 AM to 12:48 PM

The following were present:

President Eisenhower

Vice President Nixon
Acting Secretary of State
  H. Freeman Matthews (for Mr. Dulles)
Secretary of the Treasury Humphrey
Secretary of Defense Wilson
Attorney General Brownell
Postmaster General Summerfield
Secretary of Agriculture Benson
Secretary of Commerce Weeks
Secretary of Interior McKay

Secretary of Labor Durkin
Ambassador Lodge
Assistant Director of Mutual
  Security John H. Ohly (for Mr. Stasse
Federal Security Administrator
  Hobby
Director of the Budget Dodge
Assistant to the President Adams
Administrative Assistant Cutler
Congressional Liaison Gen. Persons

1. State of the Union Message.

The President postponed consideration of the State of the Union Message until the end of the meeting.

2. Arrangements for Cabinet officers to attend the State of the Union Message ceremony.

Governor Adams informed the Cabinet that they will each receive an invitation to meet in the Speakers Room of the House of Representatives prior to the President's State of the Union Message, so that they can enter the Chamber together.

3. Relations with Congress.

General Persons discussed some of the difficulties of immediate cooperation from Congress in terms of lack of time, as yet, to work out an understanding between the Executive and the Legislature. He stressed the desirability of Cabinet members getting to know personally the chairmen of appropriate committees on both a business and social basis at an early date. In the case of a department such as State, a similar contact should be made with the ranking minority member of the committee. On the particular problem of patronage, he urged that Cabinet Members give personal attention, though not necessarily priority or special consideration, to recommendations which come from Congressmen.

The President spoke about his own efforts to cultivate cooperative relations with Congress as a means of providing a firm basis for getting considered treatment and respect for Executive proposals. He presented his plan to have luncheons with all the committee chairmen of the House and of the Senate next week, with Vice President Nixon attending both luncheons in his executive capacity. The

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DETERMINED TO BE AN
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E.O. 11652, Section 1
By BHC NLE, Date 7-27-76

President commented on General Persons' remark about wedge-driving to the effect that if Cabinet Members are good friends, they can laugh off efforts made to divide them. The President believes the best approach in regard to asserted difficulties with Congress would be to maintain a silence "of confidence", for he expects any early difficulties to work themselves out if the fire is not fed.

4. Status of Congressional Investigations.

Mr. Brownell presented, on behalf of Mr. Dulles, the problem of numerous separate investigations being carried on by Congressional committees in regard to any department. There are ten such investigations of State alone. This raises problem of proper attitude for department heads to take. He noted the practice of questioning employees and instructing them not to talk about their hearings.

The President encouraged department heads to take a sympathetic attitude towards such investigations now in progress, and especially to inform the committee chairmen of any constructive plans the department itself had under way. A negative approach was to be avoided.

Vice President Nixon offered his services in ironing out difficulties in this respect.

Mr. Brownell noted how timely cooperation could prevent head-on fights, as in regard to availability of documents. Ambassador Lodge hoped that the Constitutional issue of documents would not be raised.

Mr. Wilson, in summarizing the problems, asserted his desire to be informed of what employees were telling Congressional committees. The President interjected his agreement.

5. Budget Review letter.

Mr. Dodge submitted to the Cabinet the Budget Review letter he proposes to send out. He desired to have Cabinet agreement on the principles of this letter, rather than to have a Presidential directive circulated. In brief, the letter put upon each department head the responsibility for reviewing carefully budget items and suggested (as discussed last week) two key points for action in connection with personnel and construction.

Mr. Humphrey noted that any substantial reduction in the budget would be dependent upon review of appropriations authorized in previous years. He believes contracts must be reviewed and revised where possible, rather than be treated as above review.

Mr. Weeks suggested that policy on most important items in each department budget should be submitted to the President for approval.

The President emphasized that except for defense items spending should be determined in large measure by what is necessary to prevent costly neglect and what is necessary to keep the whole economy from suffering. He noted also the desirability of close coordination among departments in regard to major items.

The Cabinet approved the letter, with the exception of Mr. Wilson who wanted to bring his staff in on it before giving formal approval.

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ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 7-27-76

6. Status of Extension of the Reorganization Act.

On the question of the Reorganization Act extension, the President noted how the matter of voting had not been a controversial issue at last Monday's legislative conference. Any negotiations on this Act are to be by the Vice President and General Persons. Specific reorganization plans should be held up until after the Reorganization Act extension is settled.

7. Replacement of Heads of Independent Agencies.

Mr. Benson raised the question of appointments to independent or semi-independent agencies, such as REA. In regard to REA, Mr. Brownell has given him an opinion that the Administrator is part of the Executive and can be replaced by the President, but there are other agencies to which this opinion apparently would not apply. The President preferred not to discuss this in terms of principles, but rather to take up specific cases where it was obvious that a particular man could not continue to do the job.

8. Report on February 17 Refunding.

Mr. Humphrey reported on the forthcoming refunding of 8.8 billion of one-year notes. Some of these will be converted into six-year notes which will carry a slightly higher interest rate (one-half of one per cent). Mr. Humphrey pointed to this action, the recent increasing of the discount rate, and the attitude of Federal Reserve Bank chairman, as constituting a change of direction in the fight against inflation. These are new measures designed to check inflation without controls.

9. Request of Committees of Congress to Review Department and Agency Activities and the Request for New Legislation.

Mrs. Hobby called attention to requests of Congressional committees for a review of Agency appropriations and information on new legislation required. She noted that the FSA was not ready to present a legislative program and would so indicate.

Mr. Dodge noted that Congressional budget committees will consider supplemental appropriations first in order to give department heads time to consider the regular appropriations.

Mr. Durkin raised the question of getting Presidential policy established on labor laws prior to Congressional hearings. The President encouraged Mr. Durkin to prepare recommendations on the labor legislative program, secure Presidential approval, and submit to Congress. The President emphasized the need for doing more than merely preparing to criticize legislation initiated by Congress.

Mr. Dodge pointed out that any testimony by a department head is automatically regarded as setting forth the Presidential position, and that recommendations to Congress should be cleared through the Bureau of the Budget for Presidential approval.

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By BHC NLE, Date 7-27-76

10. The last hour of the Cabinet meeting was devoted to consideration of the State of the Union Message. The President read at length sections concerning loyalty, Government organization, economic policy, labor, Far East, security forces, natural resources, agriculture, human resources, and civil rights.

There were frequent suggestions from Cabinet Members as to minor changes of wording. A somewhat lengthy discussion developed on Federal aid to education, during which the President stated his belief that a certain minimum of education was necessary for all citizens for them to exercise the privilege of voting in an intelligent way. Otherwise, our Republic could not continue to exist. He stated his belief that the inability of any local area to provide essentials was the determining factor for Federal aid.

Mr. Lodge was concerned lest failure to mention anything specific on social security might be considered a retreat from the position taken during the campaign. It was pointed out that no retreat was contemplated but that a matter of timing was involved.

(Reported by L. A. Minnich. Copies
only to Mrs. Whitman and Minnich.)

~~CONFIDENTIAL~~

The President

THE WHITE HOUSE
WASHINGTON

AGENDA

Cabinet Meeting
February 6, 1953

1. Decontrol measures. (The President)

2. Liquidation of Control Agencies. (The Secretary of Commerce)

3. Personnel Vacancies and Interpretation of Personnel Regulations. (The Director of the Budget)

4. Status of Congressional Investigations of Executive Departments. (The Attorney General)

5. The Single Appropriation Bill. (The Secretary of the Treasury)

6. Extension of Legislation in connection with Construction of Schools in Defense Areas. (The Federal Security Administrator)

7. Ad hoc Committee on Alert Planning. (The Assistant to the President)

8. Memorandum on Independent Agencies. (The Assistant to the President)

9. Emergency Aid by the Military to Storm-Stricken Europe. (The Secretary of Defense).

10. Policy with respect to Government Service without Compensation. (The Secretary of Defense).

Europe –

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Purchase of meat

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 7-27-76

MINUTES
of
CABINET MEETING

February 6, 1953
10:07 AM to 12:05 PM

The following were present:

President Eisenhower

Vice President Nixon
Acting Secretary of State
  H. Freeman Matthews (for Mr. Dulles)
Secretary of the Treasury Humphrey
Secretary of Defense Wilson
Attorney General Brownell
Postmaster General Summerfield
Secretary of Agriculture Benson
Secretary of Commerce Weeks
Secretary of Interior McKay
Secretary of Labor Durkin
Ambassador Lodge
Assistant Director of Mutual Security
  John H. Ohly (For Mr. Stassen)
Federal Security Administrator
  Hobby
Director of the Budget Dodge
Assistant to the President Adams
Administrative Assistant Cutler
Congressional Liaison Gen. Persons

(Also present for a limited time were Arthur Flemming and Gabriel Hauge, to present decontrol measures.)

The President opened the meeting by announcing that future Cabinet Meetings would be opened with a few moments of silent prayer. He suggested that Cabinet Members may desire on particular occasions to request an oral prayer. This would be strictly a private affair, with no non-Cabinet Members brought into the prayer. The President indicated that he had recently been in touch with all the Cabinet Members about this and that there had been no objection.

The first two items on the agenda were postponed until later in the meeting.

3. Personnel Vacancies and Interpretation of Personnel Regulations.

Mr. Dodge presented to the Cabinet Members two memoranda offering guidance on appointment of personnel and on restrictions against removing personnel at discretion of agency heads.

Mr. Dodge noted a report that some outlying agencies were rapidly filling vacancies before new policy could take effect. He suggested all Cabinet Members check with their personnel directors, particularly in regard to appointments made since last Wednesday. In this connection, the President suggested desirability of looking closely at all appointments made during the tag end of the last Administration, especially when such positions had been recently put under civil service. Mr. Humphrey noted that the Treasury Department was scrutinizing the reorganization plan recently applied to the Internal Revenue Bureau. Mr. Wilson suggested

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DETERMINED TO BE AN
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E.O. 11652, Section 1
By GHC NLE, Date 7-27-76

the possibility of a 90-day probational period for a civil service employee on any new job.

The President noted his great desire to have recommendations for an extremely able man for Civil Service Director. He suggested also that Cabinet Members keep an eye out for top-flight men, even if not for a specific position, because it would be good to have a reservoir of good men.

4. Status of Congressional Investigations of Executive Departments.

Mr. Brownell presented Congressman Halleck's suggestion for a representative of the President to meet with Congressional leaders with a view to consolidating some investigations for which supplemental appropriations are now being considered. Mr. Rogers (Deputy Attorney General) and General Persons will do this.

Mr. Humphrey expressed the hope that investigations now going on would be completed soon, before they turn into investigations of the present Administration, but he did not want to get into a position of obstructing investigations. Ambassador Lodge concurred in this and suggested that the way to prevent it is by the Executive making its own effective investigations. The President said he would bring up the subject at the next Monday morning legislative conference and he noted that Congressional leaders seem extremely anxious to cooperate.

5. The Single Appropriation Bill.

Mr. Humphrey discussed briefly the nature of Senator Byrd's Single Appropriation bill, and noted that the press are attributing to Dodge and himself support for the bill. Mr. Dodge made clear that they had not endorsed the bill. The discussion tended to favor the bill for its merits in preventing appropriations riders and upset budgets. It was pointed out that if the bill were enacted it would be desirable to have the "item veto" as a protection for the President.

Mr. Brownell began a discussion of what position Cabinet Members should take in regard to recommendations for supplemental appropriations originated by the previous Administration. He noted the difficulty of reviewing these recommendations quickly, yet he did not want to accept responsibility without careful review. The Cabinet generally agreed that the responsibility did fall on them and that it would be necessary to take the time for reviewing these recommendations.

6. Extension of Legislation in connection with Construction of Schools in Defense Areas.

Mrs. Hobby noted the introduction of a new bill on this subject by which substantial savings can be made.

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By bc NLE, Date 11/20/78

7. Ad Hoc Committee on Alert Planning.

Governor Adams outlined the present status of plans for any Alert and informed the Cabinet Members that they would soon be requested to appoint representatives to confer on these plans for their respective departments. He emphasized the "secret" nature of the plans.

(General Persons left the meeting for Capitol Hill to discuss the possibility of early action on the Conant appointment.)

8. Memorandum on Independent Agencies.

Governor Adams stated that a letter is being sent to each Cabinet Member requesting recommendations in regard to possible reorganization measures affecting the independent agencies. A discussion followed emphasizing the quasi-legislative powers of some of these agencies, as for instance, the Civil Aeronautics Board and some of the lending agencies. The President reported on a conversation he had had with Mr. Chan Gurney concerning such problems.

9. Emergency Aid by the Military to Storm-Stricken Europe.

Mr. Wilson reported the action taken by the Defense Department following approval by the President to give assistance in storm-stricken Europe. This has been operated thus far in connection with American Military Forces in Europe. Mr. Wilson suggested the desirability of aid on a more extensive scale. The discussion led to a decision that the President should appoint a special committee of the Secretary of State (Chairman), Secretary of Defense, Secretary of Agriculture, Mutual Security Director, and a representative of the Red Cross, to study the situation and make appropriate recommendations for further aid. Mr. Benson pointed out Russian activity which might be developed in this respect, and it was therefore determined to get a press release out as quickly as possible. (Mr. Cutler had an announcement drafted during the meeting which was approved, subject to several revisions, before the meeting ended.)

10. Policy with respect to Government Service without Compensation.

Mr. Wilson suggested a uniform policy be established in regard to use of consultants and other advisers. Mr. Brownell pointed out some legal difficulties involved. The President stated his firm conviction that the Government must make every effort to utilize the best brains of non-Governmental people in whatever way possible. Mr. Brownell was asked to check on the pertinent laws and prepare a memorandum on the subject.

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 7-27-76

1. Decontrol Measures; and 2. Liquidation of Control Agencies.

Mr. Flemming entered the meeting with Mr. Hauge, and presented the conclusions of a meeting held yesterday at which six Cabinet Members were present along with other interested Government officials. Memoranda were circulated to the Cabinet. The recommendation for bringing wage controls to an end was approved after brief debate on pending cases, and the President signed the Executive Order. The press release was approved after slight modifications suggested by Ambassador Lodge.

It was decided to postpone action on the controlled materials until next week because of need for further study of "open end agreements", and the President strongly affirmed the use of self-explanatory language.

11. Presidential Proclamations.

The President raised the problem of when to make proclamations and requested recommendations on the desirability of proclaiming "Know America Week". After much discussion on the advisability of "weeks", it was decided to hold the question open for further discussion. The President emphasized that the important consideration was whether anything could be accomplished by this, and he noted the tremendous need for improving the understanding of what actually constitutes the American tradition.

12. New York Dock Strike.

Mr. Summerfield reported that the strike affected the delivery and dispatch of mail. At his request, Mr. Durkin had been in touch with the Counsel of the Union, who indicated that the mails would not be held up. The desirability was noted of doing these things quietly so as not to attract industrial disputes to the White House until after the Mediation Board had had every opportunity to act.

13. Time of Meeting.

After brief discussion of the possible merits of an earlier meeting time, it was decided to meet at 10:00 AM again next week pending further discussion.

(Reported by L.A.Minnich. Copies only
to Mrs. Whitman and Minnich.)

~~CONFIDENTIAL~~

Proposed Letter to Petitioners Having Cases Pending Before the Wage Board

WAGE STABILIZATION BOARD
Washington 25, D. C.

Date

John Doe Company
Blank Street
Blank City, USA

RE: Case No. N-000
John Doe Company and
Blank Union

2

Dear Sirs:

On February ___, 1953, the President issued Executive Order No. ______, suspending wage stabilization regulations and orders. Paragraph 2 of that Order reads as follows:

> "2. The wage, salary and other compensation adjustments proposed in petitions pending before wage and salary control agencies may now be placed in effect without the approval of such agencies. To the extent that agreements involved in such petitions are conditioned upon approval under Title IV of the Defense Production Act, this order shall be deemed such approval, but such approval shall be subject to section 3 hereof.

In view of the foregoing, it is unnecessary for this agency to take any further action in connection with the above-mentioned case.

The suspension of wage controls does not excuse any violation of the Defense Production Act of 1950, as amended, or the regulations and orders issued thereunder, which may have occurred prior to February __, 1953.

Very truly yours,

DECONTROL ACTIONS TO BE TAKEN FRIDAY, FEBRUARY 6, 1953

1. All livestock and meat sold in the Continental United States, including fresh, frozen and processed beef, pork, lamb, veal, mutton, sausage and horsemeat. This is at all levels of distribution.

2. All edible fish including Maine sardines, canned salmon, flat lake salt herring.

3. All sales by restaurants in the Continental United States which were formerly under control by CPR 11 and CPR 134.

4. Meat distribution regulations are revoked and those related to grading requirements and slaughtering requirements.

5. At wholesale and retail levels all articles included in categories covered by CPR 7, which means all commodities normally sold by department stores, mail order houses and speciality stores other than food. This includes literally hundreds of categories of items, such as apparel at all levels, textiles, leather goods, certain appliances such as clocks, toys, sporting goods, etc, yard goods at wholesale and retail levels.

6. All furniture at all levels including but not limited to household, office, restaurant, professional and public building furniture.

7. At all levels miscellaneous fabricated textile products made out of wool, cotton, sild or synthetic fabrics and this includes bedspreads, blankets, comforters, quilts, pillows, curtains, drapes, laces, linens, towels, sheets, table cloths, notions, slip covers.

8. Synthetic, hard and bast fibres.

9. All items in the consumer soft goods, durable goods and food fields that have been previously suspended will now be decontroled.

Library

DRAFT OF PROPOSED PRESS RELEASE ON DECONTROL ACTIONS

The President announced today three major actions toward eliminating in an orderly fashion the structure of price, wage and materials controls under which the American economy has been required to operate for the past two years. The actions are as follows:

1. Issuance by the Office of Price Stabilization of orders removing from price control -- immediately -- a wide and varied list of consumer goods, including all meat products, all furniture, all apparel, all meals sold in restaurants and public eating places, nearly all of the thousands of items normally sold in department stores, and many more. This action is the first of a series of orders under which all prices will be decontrolled.

2. Suspension by executive order -- immediately -- of all wage and salary regulations and orders issued by or administered by the Wage Stabilization Board (or Wage Stabilization Committee), Salary Stabilization Board (or Office of Salary Stabilization) and the Railroad and Airline Wage Board. Adjustments in compensation, including retroactive adjustments, proposed in petitions filed by employers or by employers and unions jointly and still pending before any of these agencies may now be placed in effect. Provision is made in this order for continued authority to enforce penalties for past violations of these orders and regulations, but henceforth compensation may be adjusted without the restraints imposed by the controls.

~~3. Action by the Office of Defense Mobilization providing for the "open-ending" at once of the Controlled Materials Plan which regulates the distribution of copper, steel and aluminum. This action means that allotments of these materials to industry will remain in effect for the second quarter of the year, but any additional mill space which opens up hereafter can be used by industry for any customer without further reference to the Government.~~

A comprehensive report on the price decontrol actions today will be made public by the Office of Price Stabilization. Additional information on the other decontrol actions can be obtained from the respective agencies administering these programs. A copy of the Executive Order suspending wage and salary controls is attached.

-O-

MINUTES

of

CABINET MEETING

February 12, 1953

The following were present:

President Eisenhower

Vice President Nixon
Secretary of State Dulles
Secretary of Treasury Humphrey
Secretary of Defense Wilson
Attorney General Brownell
Postmaster General Summerfield
Acting Secretary of Agriculture
  True D. Morse
Acting Secretary of Commerce
  Walter Williams
Secretary of Interior McKay
Secretary of Labor Durkin
Ambassador Lodge
Director of Mutual Security Stassen
Federal Security Administrator
  Mrs. Hobby
Budget Director Dodge
Assistant to the President Adams
Administrative Assistant Cutler
Congressional Liaison Gen. Persons

(Arthur Flemming and Gabriel Hauge were present for the discussion of Item #1.) Secretary McKay left the meeting in the middle of discussionof Item #1.)

The meeting was opened with a half minute of silent prayer.

1. Proposed Decontrol Actions.

Mr. Flemming presented proposals for decontrol (Copies of the two memoranda from the ODM and Advisory Group in Mrs. Whitman's file). After lengthy discussion, it was agreed that the first group of items should be decontrolled but that announcements on the other groups should be delayed until scheduled action. In the meantime, continuing studies of the critical items are to be made. The Controlled Materials Plan was ended, and the ODM is to study what action may be necessary after June 30.

In the discussion several warnings were voiced, although all were agreed that the action should be taken. Mr. Dodge indicated that some price rises may be expected, which will increase the cost of national defense. Mr. Dulles warned that the grave international situation may take a turn for the worse and require the readoption of controls. Mr. Stassen believed that for certain critical items both price and allocation controls will be needed; for some of our allies, unlike the United States, will not be able to absorb such price rises as might materialize. The question was raised as to whether critical items could be controlled effectively with allocation restrictions but not price controls. Mr. Humphrey believed the situation will not be serious if the Government carries out its intentions of reducing expenditures. The President emphasized that we are on a high plateau of tension and that we cannot risk living all our lifetime under emergency measures.

In regard to measures after June 30, the President noted that Senator Capehart was alone in advocating stand-by controls; also that an acceptable solution might be for Congress to give the President power in certain situations to impose controls for ninety days until Congress might act. It was suggested that the major producers of certain key items might agree to maintain at present levels the cost of materials purchased by the Government.

In regard to rents, it was pointed out that the President may have to give Congress a clear definition of the term 'defense areas".

2. Report from the Cabinet Committee on the European flood disaster.

The Secretary of State gave the President an interim report on the European flood disaster, and he reported briefly to the Cabinet. The special committee will look into the possibility of making surplus U.S. cattle available to the disaster area.

3. Bipartisanship in Executive-Congressional Relations.

Ambassador Lodge recalled Senator Vandenberg's frequent distinction in types of bipartisanship and his distinction between bipartisanship in matters concerning Congress and those concerning Executive actions. It was said Democratic bipartisanship was applied only in the former. Mr. Dulles indicated that four leading Democratic legislators had full opportunity to express their views on the State of the Union Message. It was agreed that a speech should be made in the Senate to clarify the facts in this case. Mr. Wilson requested that a memorandum on bipartisanship be prepared to clarify the practice for all Cabinet Members. Mr. Dulles is to handle this.

4. Executive Position on Opening Files.

Mr. Dulles reviewed the problems of investigation and Congressional requests to examine files. Mr. Brownell believed that personnel records should be made available but not FBI and Loyalty Board reports. Ambassador Lodge and the President noted again the need for the Executive branch to investigate itself. Mr. Brownell and Mr. Lodge felt this would not stop Congressional investigations but it would reduce their steam.

Mr. Brownell urged that much can be accomplished by department heads meeting with the Chairmen of the particular Committees for their departments, and discussing what ought to be investigated. In regard to the four special investigating Committees, the Vice President, Mr. Rogers and General Persons are to handle the attempt to work out an amicable solution.

The related question of Civil Service employees was brought up, and a suggestion was made that the Rockefeller Committee make recommendations for helpful legislation, also that the aid of Senator Carlson and Congressman Rees be enlisted. The Cabinet was invited to meet with the President and the Rockefeller Committee on Saturday morning to discuss this specific subject.

5. Social Security Coverage.

Mrs. Hobby pointed to the need of an advisory committee to formulate recommendations for legislation on this subject. She was advised to go ahead with establishing the committee. Mr. Wilson discussed a similar problem in his department, but action was left for his decision.

6. and 7. These items on the Agenda were postponed.

8. Congressional Action on Secret Agreements.

The Secretary of State noted the need for prompt action, and he was advised to make recommendations and push them along.

9. This item on the Agenda was held over.

10. Presidential Press Conference.

Governor Adams presented a memorandum from Mr. Hagerty suggesting that except for State and Defense, press representatives of Government agencies not attend the President's press conferences. Limited space makes this necessary. This recommendation was approved.

11. Aide-memoire.

Governor Adams presented a recommendation that minutes of the meeting be distributed to participants. It was agreed instead to have merely aide-memoire sent to each Member concerning those items of particular concern to him.

12. The Rosenberg Decision.

The President reviewed his thinking in regard to denying the Rosenberg application for pardon. He emphasized the unanimity of opinion on thepart of officials concerned with the case through its many stages. He mentioned also the unfavorable psychological effect of an Executive reversal of Justice in a case that seemed so clean-cut.

13. Submerged Lands.

Mr. Brownell pointed out that Governor McKay is to represent before Congress the Administration's point of view on submerged lands legislation.

L. A. M.

(Reported by Minnich. Copies only to Mrs. Whitman and Minnich)

CABINET MEETING

February 12, 1953

Notes on Conclusions reached

1. The Cabinet approved the ODM plan for removing most price controls by stages during the next four weeks. Immediate announcement to be made of decontrol of first group only, and continuing studies to be made of other critical items now scheduled in later groups.

2. ODM plan to end Controlled Materials Plan, with open-ending to June 30, was approved. To be announced Friday, February 13.

3. ODM to prepare study in re necessity of controls after June 30.

4. Committee on European Flood-stricken Areas to look into possibility of making U.S. cattle available to replace losses there.

5. Mr. Dulles to prepare memorandum for Cabinet Members on bipartisanship in this Administration.

6. Vice President Nixon to arrange for speech in Senate on bipartisanship in connection with State of Union Message.

7. Cabinet members to meet with Chairmen of House and Senate Committees related to their departments in regard to what should be scope of investigations.

8. Vice President Nixon, Deputy Attorney General Rogers, and General Persons to meet with the four special investigating committee Chairmen (McCarthy, Jenner, Hoffman, Velde) in regard to investigation procedures. They are to check back with heads of departments concerned.

9. General Persons to consult with Arthur Flemming in re possibility of Rockefeller Committee making recommendations on legislation or other action to eliminate difficulties of getting rid of unsatisfactory employees.

10. General Persons to talk with Senator Carlson and Congressman Reed on this same Civil Service personnel problem.

11. Cabinet members to be informed concerning time and place of Rockefeller Committee meeting next Saturday so they can sit in on it if they desire.

12. Mrs. Hobby to go ahead with organizing her advisory committee on extension of old age and survivors insurance coverage.

13. State Department to prepare recommendations on Congressional action on repudiating secret agreements. This to be done without waiting for a Cabinet meeting.

14. Except for State and Defense, public relations representatives of other departments and agencies are not to attend Presidential press conferences.

15. State Department to have a representative meet with Secretary of Interior and Attorney General in regard to legislation on submerged lands.

16. Aide-memoire to be sent to each Cabinet Member after each meeting in regard to projects of particular interest to that member.

L. A. M.

2/12/53

Executive Position on Opening Files

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The related question of Civil Service employees was brought up, and a suggestion was made that the Rockefeller Committee make recommendations for helpful legislation, also that the aid of Sen. Carlson and Rep. Rees be enlisted. The Cabinet was invited to meet with the President and the Rockefeller Committee on Saturday morning to discuss this specific subject.

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2/12/53 - in book

Dulles - on records: Is a big issue. Doesn't want to block Congress or investigations - but doesn't want to turn records loose indiscriminately.

* * *

Brownell - Thinks it would take a very serious talk with Congressional leaders to get the Congr. investigation called off. Turn personnel records freely but not loyalty Bds or FBI. * * *

DE : Factual information as distinguished from gossip. Congress has to investigate and needs facts.

Mrs. Hobby - Personnel files in FSA are full of gossip.

Brownell - Repeats * * * official personnel records ought to go to Congress.

- - - -

Nixon - Suggests each Cabinet member sit down with his appropriate House and Senate Committee Chairman and settle on what ought to be investigated. (President approves)

Mrs. Hobby and Humphrey want Congr. help on getting bad civil service people out.

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THE WHITE HOUSE
WASHINGTON

THE ASSISTANT TO THE PRESIDENT

February 12, 1953.

Ed / File
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PERSONAL AND CONFIDENTIAL

Dear Mr. Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet Meeting.

1. The President invited any Cabinet Members who so desire to attend the meeting of the Reorganization Committee (President's Advisory Committee) with the President at the White House at 9:00 A.M., Saturday, February 14.

2. Except for representatives of State and Defense, the President's press conferences are not to be attended by public relations representatives of government departments and agencies.

3. It was urged that each Cabinet Member meet with the Chairmen of the Congressional Committees concerned with his department to discuss investigations of the department, particularly in regard to what should be investigated.

Sincerely,

Honorable Harold Stassen,

Director for Mutual Security.

THE SECRETARY OF AGRICULTURE

THE WHITE HOUSE
WASHINGTON

AGENDA

Cabinet Meeting
February 12, 1953

1. Proposed decontrol actions. (The President)
2. Report from the Cabinet Committee on the European flood disaster. (The Secretary of State)
3. Bi-partisanship in Executive-Congressional relations. (The United States Representative to the United Nations)
4. Position of the Executive Branch with regard to Congressional requests for files and records. (The Secretary of State)
5. Establishment of an Advisory Committee on the extension of Social Security coverage. (The Federal Security Administrator)
6. Proposal to establish a Committee to promote labor-management harmony. (The Assistant to the President)
7. Procedure for handling disputed tariff cases arising under the Reciprocal Trade Agreements Act. (The Secretary of the Treasury)
8. Form of Congressional action with regard to repudiation of secret agreements as pledged in the State of the Union Message. (The Secretary of State)
9. Presidential Appointments to the Board of Governors of the American Red Cross. (The Assistant to the President)

EXECUTIVE ORDER

- - -

SUSPENSION OF WAGE AND SALARY CONTROLS UNDER THE DEFENSE PRODUCTION ACT OF 1950, AS AMENDED

WHEREAS the production of materials and services and the demand therefor in the national economy are approaching a practicable balance; and

WHEREAS the earliest possible return to freedom of collective bargaining in the determination of wages will serve to strengthen the national economy and thereby the national security; and

WHEREAS the stabilization of wages, salaries and other compensation is not now necessary to carry out the purposes of the Defense Production Act; and

WHEREAS, in view of the foregoing, it is appropriate to permit adjustments of wages, salaries, and other compensation arrived at through the processes of free collective bargaining or other voluntary action to become effective:

NOW, THEREFORE, by virtue of the authority vested in me by the Constitution and statutes, including the Defense Production Act of 1950, as amended, and as President of the United States, it is hereby ordered as follows:

1. All regulations and orders issued pursuant to the Defense Production Act of 1950, as amended, stabilizing wages, salaries, and other compensation, are hereby suspended.

2. The wage, salary, and other compensation adjustments proposed in petitions pending before wage and salary control agencies may now be placed in effect without the approval of such agencies. To the extent that agreements involved in such petitions are conditioned upon approval under Title IV of the Defense Production Act, this order shall be deemed such approval, but such approval shall be subject to section 3 hereof.

3. This order shall not operate to defeat any suit, action, prosecution, or administrative enforcement proceeding, whether heretofore or hereafter commenced, with respect to any right, liability, or offense possessed, incurred, or committed, prior to this date.

C.E.W.

M.P.D.

THE WHITE HOUSE

February , 1953

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF DEFENSE MOBILIZATION
WASHINGTON 25, D. C.

OFFICE OF THE DIRECTOR

February 11, 1953

MEMORANDUM FOR THE PRESIDENT

The following members of the Defense Mobilization Board concur in the attached recommendation regarding the relaxation of the Controlled Materials Plan:

Signed: George M. Humphrey
Douglas McKay
Sinclair Weeks
William McC. Martin
True D. Morse
Roger M. Kyes
Harold F. Linder

I also concur in this recommendation

(Signed) Arthur S. Flemming

Arthur S. Flemming
Acting Director

RECOMMENDATION IN RE CONTROLLED MATERIALS PLAN FOR SECOND QUARTER 1953

February 11, 1953

1. Reaffirm and not invalidate CMP allotments now outstanding to industry for the second quarter,

    Industry was first notified on December 18, 1952, of allotments for the second quarter and delivery against such allotments, for the most part, has been or is now in the process of being scheduled.

2. Open-end the CMP system immediately and decontrol steel, copper, and aluminum as of June 30, 1953.

    This means that any additional mill space which opens up after the announcement of open-ending can be used by the industry for any customer without further reference to the Government. Under present procedure, the Government issues supplemental allotments for additional space.

3. That the system of [illegible] production directives establishing product tonnages by agreement between individual mills and the National Production Authority be continued through June 30.

    This means that mill schedules for individual products would remain unchanged unless unforeseen circumstances would warrant agreeing on and adopting a new schedule. For example, increased production of railroad rails or oil well pipe could bring about a necessity to change the production schedule.

4. **It is understood that prior to June 30, 1953, recommendations will be made as to action to be taken after that date.**

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF DEFENSE MOBILIZATION
WASHINGTON 25, D. C.

OFFICE OF THE DIRECTOR

February 11, 1953

MEMORANDUM FOR THE PRESIDENT

The following members of the Defense Mobilization Board concur in the attached proposed schedule of price decontrol actions:

Signed: George M. Humphrey
Douglas McKay
Sinclair Weeks
William McC. Martin
True D. Morse
Roger M. Kyes
Harold F. Linder

I also concur in this recommendation

(Signed) Arthur S. Flemming

Arthur S. Flemming
Acting Director

THE PROPOSED SCHEDULE OF PRICE DECONTROL

February 12 -- (These items represent about 15% of the Wholesale Price Index weights)

Crude Rubber, tires and all rubber products (synthetic)

All scrap and secondary metals

Castings & Forgings

Soaps, cleansers and detergents

Poultry, eggs and allied products

Construction services

Rental of most industrial machinery and equipment

Prefabricated Housing

Lead, zinc and tin and most minor metals and minerals

Paints, varnishes and lacquers

Paper and paper products

Pulp

Fats and Oils

All Petroleum products except fuel oil

Iron ore

Metal cap closures

Collapsible tubes

Window glass

Glass containers

DECLASSIFIED
E.O. 10501, NOV. 5, 1953
NLE BY__________ DATE__________

February 18 -- (About 12% of Wholesale Price Index weights)

- All tobacco products
- Lumber and Products
- Coal, coke and coal chemicals
- Business machines and office equipment
- All personal consumer goods except large appliances
- All remaining non-metal building materials
- Transportation and all other services except laundry, dry cleaning, industrial and business services
- Drugs and cosmetics
- Refractories
- Construction Machinery & Equipment
- Mining machinery & equipment
- Quarrying Machinery & Equipment
- Transportation Machinery & Equipment
- Materials handling equipment
- Farm machinery
- Textile machinery
- Motorized fire fighting equipment
- T-V and radio parts

Week of February 23 -- (These items represent about 5% of the wholesale price index weights)

- Milk & Dairy Products
- Miscellaneous

March 4 -- (About 16% of Wholesale Price Index weights)

All remaining consumer foods

Large appliances

All autos, trucks and parts

All chemicals except sulphur and sulphuric acid

Aircraft & marine parts and equipment

Stampings

Screw machine products

Bolts, nuts and rivets

Springs

March 12 -- (About 8% of Wholesale Price Index Weights)

Fuel Oil

All remaining services

Feeds and grains

Plumbing and heating equipment and remaining building materials including hardware

All remaining machinery except electrical machinery & equipment, field erected equipment, new and used machine tools

Final Action -- (About 6% of Wholesale Price Index weights)
(Exact Date
not fixed)

- Iron and steel - including stainless steel
- Copper
- Aluminum
- Nickel
- Cobalt
- Beryllium
- Columbiam
- Manganese
- Ferro-Alloys
- Sulphur & Sulphuric Acid
- Remaining Machinery

THE PROPOSED SCHEDULE OF PRICE DECONTROL

February 12 -- (These items represent about 15% of the Wholesale Price Index weights)

Crude Rubber, tires and all rubber products (synthetic)

All scrap and secondary metals

Castings & Forgings

Soaps, cleansers and detergents

Poultry, eggs and allied products

Construction services

Rental of most industrial machinery and equipment

Prefabricated Housing

Lead, zinc and tin and most minor metals and minerals

Paints, varnishes and lacquers

Paper and paper products

Pulp

Fats and Oils

All Petroleum products except fuel oil

Iron ore

Metal cap closures

Collapsible tubes

Window glass

Glass containers

February 18 -- (About 12% of Wholesale Price Index weights)

All tobacco products

Lumber and Products

Coal, coke and coal chemicals

Business machines and office equipment

All personal consumer goods except large appliances

All remaining non-metal building materials

Transportation and all other services except laundry, dry cleaning, industrial and business services

Drugs and cosmetics

Refractories

Construction Machinery & Equipment

Mining machinery & equipment

Quarrying Machinery & Equipment

Transportation Machinery & Equipment

Materials handling equipment

Farm machinery

Textile machinery

Motorized fire fighting equipment

T-V and radio parts

Week of February 23 -- (These items represent about 5% of the wholesale price index weights)

Milk & Dairy Products

Miscellaneous

March 4 -- (About 16% of Wholesale Price Index weights)

- All remaining consumer foods
- Large appliances
- All autos, trucks and parts
- All chemicals except sulphur and sulphuric acid
- Aircraft & marine parts and equipment
- Stampings
- Screw machine products
- Bolts, nuts and rivets
- Springs

March 12 -- (About 8% of Wholesale Price Index Weights)

- Fuel Oil
- All remaining services
- Feeds and grains
- Plumbing and heating equipment and remaining building materials including hardware
- All remaining machinery except electrical machinery & equipment, field erected equipment, new and used machine tools

Final Action -- (About 6% of Wholesale Price Index weights).
(Exact Date
not fixed)

Iron and steel - including stainless steel

Copper

Aluminum

Nickel

Cobalt

Beryllium

Columbiam

Manganese

Ferro-Alloys

Sulphur & Sulphuric Acid

Remaining Machinery

~~CONFIDENTIAL~~

~~SECURITY INFORMATION~~

DEPARTMENT OF STATE
WASHINGTON

MEMORANDUM FOR THE PRESIDENT

Subject: Second Interim Report of Cabinet Committee on Flood Relief

The immediate emergency has passed and precautions against any early recurrence are believed adequate. There is no threat of food shortage. In the past week, the United States met, out of military stocks in Europe, an urgent request from the United Kingdom for air delivery of a large number of sandbags and has complied with a Dutch request for additional rescue and sanitary equipment. The Dutch Government has made no request for dollar aid from the United States.

The League of Red Cross Societies in Geneva reports contributions of $6,000,000 and says they have met all requests from the Netherlands Red Cross. Known United States private contributions are approaching $2,000,000.

The total damage in the United Kingdom and Belgium appears to be slight compared with their resources. In the Netherlands, estimates of damage are reduced to the equivalent of about $260,000,000, but the Dutch will also suffer losses because of some reduction in export crops and increased import requirements. The effect on the Dutch balance of payments cannot yet be estimated. The Dutch Government has undertaken to compensate families for property loss, all of which has been in agricultural regions. Although reconstruction and rehabilitation will involve heavy outlays, the Dutch Government has said that there will be no relaxation in its defense effort.

The Dutch have substantial resources. The foreign exchange balances are good, and the treasury may be able to meet local costs without disastrous inflationary effects by postponement of some long-term projects and of projected tax relief. The release of counterpart, now under negotiation, would help the fiscal situation, though its expenditure would necessarily be inflationary.

The

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Authority MR 76-122 Document #1
By DJH NLE DATE 11/18/76

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~~SECURITY INFORMATION~~

The principal problem that remains for the Committee will be to determine the over-all impact on the Dutch economy and whether the United States Government should bear part of the burden. The Dutch are preparing more detailed estimates for their own use. When these are available, the Committee should be in a position to submit its final report and recommendations.

THE WHITE HOUSE
WASHINGTON

AGENDA

Cabinet Meeting -- February 20, 1953

1. The British economic and financial proposals. (The Secretary of State and the Secretary of the Treasury)

2. The Bricker Resolution proposing an amendment to the Constitution relative to the making of treaties and executive agreements. (The Secretary of State)

3. Report of President's Cabinet Committee on flood disaster relief. (The Secretary of State)

4. The offshore oil question. (The Attorney General)

5. Cooperation with Members of Congress in achievement of personnel changes and reductions. (The President)

6. Appointment of Department and Agency Personnel Officers. (The Assistant to the President)

7. Executive orders issued by the previous administration conferring competitive civil service status without regard to civil service rules. (The Attorney General)

8. Cooperation between Congressional leaders and the Executive Branch in legislative investigations of Executive Departments. (The Vice President)

9. Establishment of closer liaison between the Cabinet and Congressional Committees in the issuance of policy statements. (The Assistant to the President)

10. Senator Kefauver's request that Cabinet members testify on resolution requiring question and report period in Senate for heads of Executive Departments and Agencies. (The Attorney General)

11. Attempts by newsmen to drive wedges between department and agency heads and the White House. (The Assistant to the President)

12. Price supports for dairy products. (The Secretary of Agriculture)

NEXT WEEK'S CABINET MEETING WILL BE HELD ON WEDNESDAY, FEBRUARY 25TH, AT 10:30 A.M., RATHER THAN FRIDAY, FEBRUARY 27TH.

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 11-18-76

~~CONFIDENTIAL~~

MINUTES
of
CABINET MEETING

February 20, 1953
10:00 AM to 12:15 PM

The following were present:

President Eisenhower

Vice President Nixon
Secretary of State Dulles
Secretary of Treasury Humphrey
Secretary of Defense Wilson
Attorney General Brownell
Secretary of Interior McKay
Secretary of Agriculture Benson
Secretary of Commerce Weeks
Secretary of Labor Durkin

Hon. Charles R. Hook, Acting Postmaster General
Federal Security Administrator Mrs. Hobby
Ambassador Lodge
Budget Director Dodge
Director for Mutual Security Stassen
Governor Adams
Mr. Cutler
General Persons
Mr. C. D. Jackson

1. The British Economic and Financial Proposals.

Mr. Dulles outlined the far-reaching nature of the discussions to be held with the British on March 4-6. What is expected from the United States is not clear, except for a possible large additional contribution to the Monetary Fund. No definitive agreements are expected at this conference but it will undoubtedly provide the basis for further discussions at a lower level. Mr. Humphrey added that convertibility of currencies would be a major item, along with greater opportunities for European exports to the United States.

The President expressed his desire to have Dr. Hauge present at most of the conferences. He also reported a conversation with Senator Malone, who opposed tariff reductions. He suggested that Secretaries Dulles and Humphrey and others meet with Malone.

2. The Bricker Amendment.

Mr. Dulles warned against the difficulties which would be caused by adoption of the Bricker Amendment to prevent the making of treaties which would affect American domestic laws. The amendment would seriously limit Executive authority and make impossible effective conduct of foreign affairs. Mr. Wilson and Mr. Brownell substantiated this view. Mr. Benson noted that the amendment may be inspired by a desire to make impotent the Trade Agreements Act. Mr. Dulles is to prepare a memorandum for the President and certain Cabinet Members concerning the implications.

The Vice President suggested that support for the amendment developed considerably from opposition to the U.N.Genocide Convention. Mr. Dulles reported a change in United States policy in regard to the

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 7-27-76

Convention which can be helpful in combating the Bricker Amendment.

The Cabinet discussed the manner in which treaties have affected domestic rights, and the President stated his dislike for any changing of the Constitution except by regular procedures.

The President suggested, in connection with the Bricker Amendment, that the administration should act extensively to make known justifications for its position on various issues.

3. European Flood Disaster.

Mr. Dulles read a brief report stating that the immediate urgency is past and that no food shortage exists. It is not feasible to send American livestock to Holland because of the shortage of grazing lands.

This discussion led to comments on various surpluses in the United States and means of using them constructively. Messrs. Wilson and Benson are to do whatever possible to use them in remedying the Korean food shortage. The President stated his disapproval of letting foodstuffs spoil instead of using them somehow.

4. Submerged Lands.

Secretary McKay read the statement prepared for presenting the administration's position to Congress. It brought forth discussion of who would administer the Continental Shelf resources. It was agreed to name the Interior Department as chief administrator but to specify that the President had authority in some instances to delegate to other agencies the administration. Mr. Lodge suggested that greater emphasis be put upon Federal interest in conservation policies.

12. Price Supports for Dairy Products. (Presented early so Secretary Benson could depart early.)

Mr. Benson reported on discussions held with advisory groups. They recommend maintaining 90% parity for the coming year. Dairy men recognize that price supports are not the cure for their difficulties. The advisory groups will carry on studies to devise programs which will not require supports after the coming year, and they will participate in an educational program to cut down dairy production.

The President agreed to 90% parity for the coming year. He believed undesirable, however, long continuation of rigid supports for they would wreck some farm industries. Mr. Stassen noted the need for maintaining a balanced farm-industry economy and for preventing the bottom from dropping out of farm prices.

5. Cooperation with Congress.

The President urged that all Cabinet Members give Congress full information in regard to personnel cuts achieved, as a means of increasing

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Congressional confidence in the Administration's efficiency. This will make easier the appointment of necessary new top administrative posts.

Mr. Humphrey revived the suggestion that department heads be given greater flexibility in personnel matters within their departments. General Persons noted that Arthur Flemming is studying the possibilities of administrative action without need for requesting Congress for new legislation.

6. Appointment of Department and Agency Personnel Officers.

Governor Adams stated that the key appointment to the Civil Service Commission will soon be made and that conferences with department personnel officers will then be held. He reviewed the problem of over-staffing certain functions and areas of Government for political reasons.

General Persons reported Congressional criticism of tampering with files to remove indications of Democratic political affiliations and Congressional suggestions that new personnel directors be named. There was a discussion of the number of propagandists and economists in Government.

(Secretary Benson left the meeting at this point.)

7. Executive Orders Violating Civil Service Rules.

Mr. Brownell reported a case of an individual being given competitive Civil Service status by Executive Order without regard to Civil Service rules. He asked that a search be made for other such Executive Orders during the past Administration. (Civil Service Commission had already been asked to report on this.)

8. Legislative Investigations. (Held over)

9. Liaison between Cabinet and Congressional Committees.

Governor Adams reported the Vice President's suggestion that advance copies of important speeches be sent to appropriate Members of Congress. The President added that Cabinet Members should take the initiative in providing appropriate Members of Congress with facts concerning controversial cases so that the Administration position can be effectively presented.

The Vice President and Ambassador Lodge commented on the need for extremely careful handling of correspondence with Members of

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Congress. Governor Adams noted the particular need for keeping important correspondence out of routine channels so as to avoid delay.

10. Testimony on Kefauver Proposal for Report Period.

Mr. Brownell described the Kefauver proposal to have Cabinet Members participate in a report period in the Senate. The President and Ambassador Lodge commented on the magnitude of this departure from the American system of government. It was decided that each Cabinet Member should decide for himself whether to testify or not and what testimony to give, if any.

11. Wedge-Driving.

Governor Adams referred to the testimony which would be necessary on labor law amendments and noted the need for developing administration policy on it and other important questions. It is imperative that conflicting testimony be avoided. Mr. Durkin reported on the objectives of the conferences being held in his office and the desire of many to limit the administration to the taking of a general position rather than making a rigid stand for a great number of specific amendments. There was extensive discussion of the possible results of these conferences in terms of developing greater understanding among opposing elements. The President made an eloquent presentation of the need for cooperation by free men, possessing moral values, in order to make Democracy work. He emphasized the need for a cooperative climate rather than rigid specification by law.

Mr. Durkin is to coordinate the development of administration policy on the labor amendments and is to make appropriate reports to the Cabinet.

Ambassador Lodge suggested that Cabinet Members make an extra effort to supply the press with information so as to diminish the need for speculation and wedge-driving.

After discussion, it was agreed that the present policy of not commenting on Cabinet proceedings would be continued.

L.A.M.

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CABINET MEETING
February 20, 1953

Notes on Conclusions Reached

Dulles
Humphrey
1. Dr. Hauge to attend as many as possible of the conferences with the British on economics and finance.

Dulles
Humphrey
2. Secretaries Dulles and Humphrey to arrange a luncheon with Senator Malone.

Dulles
Dodge
3. U.S. position on Genocide Convention to be presented, if possible, during testimony on Bricker Amendment.

Dodge
Dulles
Persons
4. General Persons to arrange, if possible, with Langer Subcommittee to delay hearings on Bricker Amendment.

Dodge
5. Relationship of Bricker Amendment to Reciprocal Trade Agreement Act to be considered for possible discussion in hearings.

Benson
Wilson
6. Secretaries Benson and Wilson to arrange whatever possible in regard to making surpluses, especially butter, available for Korean relief.

McKay
Brownell
Dodge
7. (a) The statement on offshore oil resources to be revised to provide for President in some instances to delegate administration of Continental Shelf resources to a department other than Interior;

   (b) The statement to express stronger Federal interest in conservation;

   (c) When revised, the statement will represent the position of the Administration.

Benson
8. Secretary Benson to make certain the Agricultural Advisory Commission is bipartisan.

Dodge
9. In regard to Executive Orders issued by past Administration which conferred Civil Service status without regard to Civil Service regulations, Governor Peterson has already asked Civil Service Commission for a report.

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Durkin 10. Secretary of Labor to coordinate the formulation of an Administration policy on labor matters, and to make progress report to Cabinet at appropriate times.

To those named in list 11. Mr. Dulles to prepare for President a memorandum on implications of Bricker Amendment as they affect Executive authority. Copies to go to Messrs. Lodge, Wilson, Stassen, Humphrey, Brownell, Weeks, Dodge, Jackson, Cutler, and Shanley.

Cabinet Members can probably find in their own files material on Bricker Amendment as it relates particularly to their Departments.

All 12. Effort to be made to present the Administration's position on controversial issues instead of losing initiative by default.

All 13. (a) Inform Congress fully on personnel cuts effected;

(b) Provide appropriate Members of Congress with advance copies of policy speeches;

(c) Take initiative in making facts available to Congress in regard to controversial issues;

(d) To avoid delay, give special handling to non-routine correspondence to Members of Congress.

All 14. Particular attention to be given to insuring that personnel directors do not bypass Administration's policies. Close scrutiny to be made of certain operations, such as public relations-propaganda.

All 15. In regard to hearings on Kefauver proposal for Cabinet Members to participate in question periods in the Senate, each Cabinet Member to give his own testimony or not as he sees fit.

Minnich

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THE WHITE HOUSE
WASHINGTON

THE ASSISTANT TO THE PRESIDENT

February 20, 1953.

PERSONAL AND CONFIDENTIAL

Dear Mr. Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet Meeting:

1. Mr. Dulles to prepare for the President a memorandum on implications of Bricker Amendment as they affect Executive authority. Copies to go to Messrs. Lodge, Wilson, Stassen, Humphrey, Brownell, Weeks, Dodge, Jackson, Cutler, and Shanley.

Cabinet Members can probably find in their own files material on the Bricker Amendment as it relates particularly to their departments.

2. Effort to be made to present the Administration's position on controversial issues instead of losing initiative by default.

3. (a) Inform Congress fully on personnel cuts effected;
(b) Provide appropriate Members of Congress with advance copies of policy speeches;
(c) Take initiative in making facts available to Congress in regard to controversial issues;
(d) To avoid delay, give special handling to non-routine correspondence to Members of Congress.

4. Particular attention to be given to insuring that personnel directors do not bypass Administration's policies. Close scrutiny to be made of certain operations, such as public relations-propaganda.

5. In regard to hearings on Kefauver proposal for Cabinet Members to participate in question periods in the Senate, each Cabinet Member to give his own testimony or not as he sees fit.

Sincerely,

Honorable Harold Stassen,

Director for Mutual Security.

STATEMENT OF DOUGLAS McKAY, SECRETARY OF THE INTERIOR, BEFORE SENATE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS RE SUBMERGED LANDS LEGISLATION PENDING IN 83d CONGRESS

Mr. Chairman and Gentlemen of the Committee:

The Congress has before it a fundamental question of National policy involving the ownership of, and the production of minerals from, the off-shore submerged lands of the United States.

This has been a controversial problem for a number of years.

✓ The Supreme Court of the United States, in litigation involving the States of California, Texas and Louisiana, has determined that the Federal Government has a paramount interest in all of the continental shelf. It now becomes desirable for the Congress to determine as a matter of policy rather than as a matter of law whether the exercise of continued federal control in this entire area is in the best National interest.

I am not here to interpret the decision of the Supreme Court. The Court did, however, recognize in its opinion the right of Congress to establish a National policy.

We know the vital role played by oil and gas in our National economy. We are aware of the essential place petroleum has in the implementation of the military establishment.

The amounts of oil which may be needed by our country at any given time in our history will of necessity depend to a large part upon the problems involving our National defense. It would seem to me, however, to be fundamental that petroleum, to be utilized either for civilian purposes or for military purposes, is most importantly thought of in terms of productible oil at a given time, rather than in terms of petroleum stores established as a reserve by limited drilling or geophysical methods.

In view of the broad National policy which this Congress must establish, and in the light of the concept of petroleum utilization which I have just expressed, I am pleased to give to the Committee my own opinion of the problems before it.

I should like to be very clear in saying that I am not the advocate or the opponent of any specific bill which the Committee may have under consideration.

I do believe that the National interest would be best served by restoring to the various States the coastal off-shore lands to the limits of the line marked by the historical boundaries of each of the respective States.

I believe it is of equal importance that the Congress should, in the same legislation, establish a procedure by which development may go forward on all of the lands on the continental shelf outside of a line marking the historical boundaries of the several States with all of the revenues to go to the Nation as a whole.

I believe that the interest of the Federal Government should be asserted and advanced by the Congress in all of the continental shelf which lies outside of the line marking the historical boundaries of the States.

Due consideration should be given to problems of international sovereignty involving the utilization of the territorial waters and the high seas which lie above the continental shelf.

I should like now to address myself to the administration for purposes of production and development of that portion of the continental shelf which lies outside the line marking the historical boundaries of the various States.

I believe that such administrative responsibility would rest most appropriately in the Department of the Interior. I am motivated in this conclusion by the traditional experiences of the department, and concern with the U. S. Geological Survey, the Bureau of Land Management and like agencies which have been long concerned with the conservation and development of the public resources of our Nation.

The legislation should, in my judgment, empower the Department of the Interior to take appropriate action to prevent waste, to provide for exploration and development, to supervise production, and to recover fair and just revenues for the benefit of the Nation as a whole.

Because of always changing conditions, some of which are unforeseeable, I would hope that the legislation would grant such discretion to the Department of the Interior in management policies as is consistent with the thinking of the Congress.

Various leases to companies and to individuals are currently existent on lands of the continental shelf both within and without the line marking the historical boundaries of the several States. In keeping with the American tradition of recognizing the ownership of properties acquired in good faith I do believe that the legislation should empower the Federal Government to grant new leases in exchange for State-issued leases on properties outside the line marking the historical boundaries of the States.

The legislation should as clearly as possible define with exactness the line marking the historical boundaries of the various States, but some mechanism should be provided in order to settle disputes which may arise with respect to the location of individually leased properties.

It is my hope that this important problem of National policy may be resolved as expeditiously as possible.

THE WHITE HOUSE
WASHINGTON

AGENDA

Cabinet Meeting
February 25, 1953

1. Psychological warfare. (The President)

2. Memorandum of the President with respect to the Bricker Resolution. (The Assistant to the President)

3. Publicity on Administration policies. (The Assistant to the President)

4. Executive investigations in the several departments and agencies. (The President)

NEXT CABINET MEETING: FRIDAY, MARCH 6TH, 10:30 A. M.

MINUTES

of

CABINET MEETING

February 25, 1953
10:30 A.M. to 11:20 P.M.

The following were present:

President Eisenhower

Vice President Nixon
Secretary of State Dulles
Secretary of Treasury Humphrey
Secretary of Defense Wilson
Attorney General Brownell
Secretary of Interior McKay
Secretary of Agriculture Benson
Secretary of Commerce Weeks
Secretary of Labor Durkin
Postmaster General Summerfield

Federal Security Administrator Mrs. Hobby
Budget Director Dodge
Director for Mutual Security Stassen
Governor Adams
Mr. Cutler
General Persons
Mr. C. D. Jackson
Mr. Hagerty (briefly)

1. Psychological Warfare.

Mr. C. D. Jackson described to Cabinet Members the various functions in connection with psychological warfare, and emphasized the need even at this time for using such tactics in regard to appropriate subjects as they appeared. He mentioned especially the Rosenberg decision, the resolution on secret commitments, and the Brazilian loan as suitable for psychological warfare use.

Mr. Jackson also noted the difficulties caused both by the current investigation of the Voice of America and by the overlapping examinations of the Voice by some four Committees. Mr. Dulles agreed about the difficult situation.

2. Bricker Amendment

Governor Adams called attention to a memorandum from the President to all Cabinet Members requesting a study in each department and agency of the implications of the Bricker Amendment. He noted especially the proposed meeting at the White House on February 27 to coordinate the information obtained.

3. Publicity on Administration Policies

Governor Adams noted that if the Cabinet had no objection, Mr. Hagerty would appear at a subsequent meeting to discuss the problem.

There was an extensive discussion on the subject of leaks. This was inspired by the appearance in a newspaper column of an almost verbatim text of a memorandum which had been thought to have been handled only at the very top level. The incident was of particular concern because it might have concerned a top security matter.

4. Executive Investigations.

The President urged Cabinet Members to be alert to potential scandals and to act quickly in calling upon the Attorney General to conduct investigations. The President discussed reports he had had that the previous Administration sometimes delayed such actions, and he stressed the need for positive action by this Administration.

Mr. Humphrey stated that the Internal Revenue may produce further difficulties and he indicated that the Treasury has under consideration a proposal for an investigation by a "Citizens Committee".

Mr. Stassen suggested that each Cabinet Member make clear to his employees that they have access to the top on a confidential basis whenever serious matters might otherwise be covered up.

5. Cabinet Conferences.

The desirability of having informal round table conferences for extended periods was discussed. The President suggested that the WILLIAMSBURG might be used for this purpose. Governor Adams was directed to explore the possibilities.

L. A. M.

(Reported by Minnich. Copies only
to Mrs. Whitman and Minnich.)

February 25, 1953

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES:

SUBJECT: S. J. Res. 1 -- "Proposing an amendment to the
Constitution of the United States relative to
the making of treaties and executive agreements."
and
S. J. Res. 2 -- "To impose limitations with regard to Executive agreements."

The two Senate joint resolutions referred to above have been called to my attention. These resolutions concern matters which directly affect the activities and responsibilities of almost every department and agency of the executive branch.

A sub-committee of the Senate Committee on the Judiciary began hearings on S. J. Res. 1 on February 18. I am advised that the executive departments and agencies will have an opportunity to appear before the committee or to present their views concerning the resolution. In a matter of such fundamental importance it is vital that the Congress know the views of the executive branch. Accordingly, I request the head of each department and agency to examine the effects which these joint resolutions would have on matters coming under the jurisdiction of his department or agency and to prepare an official statement of views concerning them. I also request the head of each affected department and agency to ask the Committee promptly for an opportunity to appear and testify.

The White House staff will cooperate in any way that may be desired in this matter.

The issues raised in these resolutions are of the greatest importance. The constitutional amendment proposed in S. J. Res. 1 would not only impose restraints upon the President or agencies of the executive branch but would affect the powers of the Federal Government as a whole and those of the States. Action by the Congress on either of these resolutions should not be taken without the fullest consideration and debate.

In view of the urgency of coordinating the effort of the departments and agencies affected, a copy of your statement should be forwarded to the White House by Monday, March 2. It is further suggested that the counsel or other appropriate representative of your department or agency be present at a meeting to be held at the White House at 11:00 a.m. Friday, February 27, to effect coordination of the combined efforts.

THE WHITE HOUSE
WASHINGTON

March 6, 1953.

THE ASSISTANT TO THE PRESIDENT

PERSONAL AND CONFIDENTIAL

Dear Mr. Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet Meeting:

1. Mr. Dodge noted the generally small reductions made in the revised budget estimates submitted thus far by departments and agencies, and he indicated the President may have to direct further reductions.

2. The hope was expressed that the number of appearances of Cabinet Members before Congressional Committees can be minimized particularly through development of close, personal, informal relations with Committee Chairmen.

3. The President presented a memorandum requesting each department to accomplish necessary coordination with Congress prior to submitting projects to him for action. The President's liaison office (General Persons and staff) is available for assistance if desired.

4. Suggestions for additions or corrections to the proposed proclamation on half-staffing the Flag should be sent to the State Department for protocol consideration.

5. Mr. Hagerty presented the following means of increasing public presentation of Administration viewpoints: (a) Press conferences by individual Cabinet Members; (b) Off-record talks on special occasions such as National Press Club luncheons, National Association of Newspaper Editors meeting, etc.; (c) Television reports to the people using facilities offered to the Administration by the networks; (d) Closer coordination between the departments and the White House for making early release of newsworthy items; (e) "Dope" stories on philosophy behind Administration or Cabinet actions.

Sincerely,

Sherman Adams

Honorable Harold Stassen,

Director for Mutual Security.

The President

THE WHITE HOUSE
WASHINGTON

AGENDA

Cabinet Meeting - March 6, 1953

1. Contingency Planning: The Stalin Situation. (The President)
2. Mutual Security Program preliminary information. (The Director for Mutual Security)
3. Possibility of savings in the 1953 fiscal year budget. (The Director of the Bureau of the Budget)
4. Budget policy on planning expenditures. (The Federal Security Administrator)
5. Publicity in the Executive Branch. (The Assistant to the President, and the Press Secretary to the President)
6. Consultation between Cabinet officers and Congressional leaders. (The President)
7. Proclamation on half-staffing the flag. (The Assistant to the President)

DRAFT

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

WHEREAS Public Law 829, 77th Congress, establishes rules and customs pertaining to the display of the flag of the United States; and

WHEREAS this law provides in part that additional rules with respect to the flying of the flag "....may be prescribed by the Commander in Chief of the Army and Navy of the United States whenever he deems it to be appropriate or desirable; and any such alteration or additional rule shall be set forth in a proclamation.", and

WHEREAS it is appropriate that the flag of the United States be flown at half-staff at the time of the death of principal officials of the Government, out of respect to their memory:

NOW, THEREFORE, I, DWIGHT D. EISENHOWER, President of the United States of America, do hereby direct that the flag of the United States be flown at half-staff on all Federal Government buildings in the District of Columbia and throughout the continental United States and the territories in the event of the death of any of the officials listed and from the time of death to the expiration of the period indicated.

President	Until interment
Vice President	Until interment
Chief Justice	Until interment
Ex-President	Until interment
Speaker of the House	Until interment
Associate Justice of the Supreme Court	Until interment
Secretary of State	Until interment
Secretary of the Treasury	Until interment
Secretary of Defense	Until interment
Attorney General	Until interment
Postmaster General	Until interment
Secretary of the Interior	Until interment
Secretary of Agriculture	Until interment
Secretary of Commerce	Until interment
Secretary of Labor	Until interment
Ex-Vice President	Until interment
Secretary of Army	Until interment
Secretary of Navy	Until interment
Secretary of Air Force	Until interment
Chairman of Joint Chiefs of Staff	Until interment

In addition, the flag of the United States shall be flown at half-staff on all Federal Government buildings in the appropriate geographical areas, from the time of death until interment, for the following officials.

United States Senators	In the state
Members of Congress	In the congressional district
Governors of States and Territories	In the state or territory

When appropriate, executive orders will be issued directing the flying of the flag of the United States at half-staff in the event of the death of certain other officials or foreign dignitaries.

This proclamation does not restrict the authority of the heads of the various departments and agencies to order the half-staffing of flags flown at buildings or facilities under their jurisdiction on occasions which they consider appropriate.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the Seal of the United States of America to be affixed.

DONE at the City of Washington this day of
, in the year
of our Lord nine-
teen hundred and
fifty-three, and
of the Independence
of the United
States of America
the one hundred and
seventy-seventh.

By the President:

Secretary of State.

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THE WHITE HOUSE
WASHINGTON

March 6, 1953

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MEMORANDUM FOR CABINET OFFICERS AND FOR THE ADMINISTRATORS AND DIRECTORS OF THE EXECUTIVE AGENCIES

This note is to request that you exercise particular care to make certain of appropriate and timely consultation with Congressional leaders in all matters where this seems necessary or desirable.

On occasion papers are presented to me for signature when the time element demands instant action. In such cases there is no opportunity for my personal staff to undertake desirable consultations before I am compelled to sign. The only way to avoid the development of awkward and embarrassing situations is for the initiating authority to make sure of the attitude of Congressional leaders before the subject is submitted to me for action.

In those occasions when bipartisan action would seem desirable, I think that the best practice is to arrange for Democratic participation through the Congressional leaders of our own party. On all of these questions relating to the Congress, the advice, counsel and assistance of General Persons and his staff will always be available, if desired, to any member of the Administration.

I will appreciate your giving this matter your personal attention.

D. D. E.

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By SHC NLE, Date 3-23-77

MINUTES OF CABINET MEETING

March 6, 1953

10:10 A.M. to 11:40 A.M.

The following were present:

President Eisenhower

Vice President Nixon
Mr. Herman Phleger, Legal Adviser (for Mr. Dulles)
Secretary Humphrey
Secretary Wilson
Attorney General Brownell
Postmaster General Summerfield
Secretary McKay
Secretary Benson
Secretary Weeks

Under Secretary of Labor Mashburn
Mrs. Hobby
Ambassador Lodge
Director Dodge
Mr. Stassen
Governor Adams
Mr. Cutler
Gen. Persons
Mr. C. D. Jackson
Mr. Hughes
Mr. Hagerty (for Item 5 only)

Item 1 was held until later in the meeting.

2. Mutual Security Program. Mr. Stassen presented, with the aid of some charts, the broad program of MSA for the coming years. It aimed at a rapid increase in the defensive strength of free nations and a rise in standards of living for the free nations. Essentially, methods of accomplishing this are to be: (a) Importing more foreign goods; (b) increasing United States capital abroad; (c) increasing "dollar services" to American tourists, employees, etc., abroad. All of this will allow a reduction in foreign grants.

The President commented that this was closely related to various tariff problems and hoped that the committee established to study foreign trade and tariffs will soon begin to function.

Mr. Wilson and Mr. Weeks discussed specific problems of their departments in connection with making purchases abroad.

3. Budgetary Savings. Mr. Dodge reported that 45 agencies had submitted their revised estimates of needs for the 1954 budget. The economies achieved have not been great, and it may be necessary for the President to direct further reductions after Budget has had opportunity to review these estimates.

Mr. Dodge pointed to a savings of 1.38 billion in connection with supplemental appropriations for 1953.

Mr. Dodge outlined the procedure that would be followed in connection with Congressional hearings on budget requirements.

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1. Contingency Planning: The Stalin Situation. The President told the Cabinet that no specific plan for Government action or policy had been developed in advance, despite continuous talk since 1946 about the possibility of Premier Stalin's death. He commented that this situation indicated again the need for services such as Mr. Cutler and Mr. Jackson will perform, and he urged full cooperation with them.

The President reported briefly on the preparation of his statement to the Russian people.

4. Economic Planning. Mrs. Hobby called attention to the possible desirability of having carefully prepared plans available in case the Administration will ever have to stimulate employment. The President commented that that function will fall to the Council of Economic Advisers as soon as reorganized.

5. Publicity in the Executive Branch. Mr. Hagerty said there is need for greater initiative in presenting the Administration point of view to the public, and that up to this point most news has been given out on Capitol Hill. He proposed the following means for taking the initiative: (a) Press conferences by individual Cabinet Members; (b) off record talks on special occasions, such as National Press Club luncheons, National Association of Newspaper Editors meeting, etc.; (c) television reports to the people using facilities offered to the Administration by the networks; (d) closer coordination between the departments and the White House for making early release of newsworthy items; (e) "dope" stories on philosophy behind Administration or Cabinet actions.

The discussion following Mr. Hagerty's presentation emphasized particularly the possibilities of informal meetings with responsible members of the press.

The President commented that increased publicity called for abler, not larger, publicity staffs.

The desirability was indicated of issuing statements to the press after testimony on the Hill, but Committee Chairman should be notified in advance as to what would be said.

6. Consultation between Cabinet Officers and Congressional Leaders. This discussion again emphasized the desirability of close personal relations between department heads and Committee Chairman in order to minimize the need for personal appearances on the Hill.

The President presented his memorandum requesting coordination with Congress prior to submitting projects to him for action.

General Persons and Mr. Dodge are working out a plan for coordinating the management of specific legislative projects.

7. Proclamation on Half-staffing the Flag. The President brought this proposed proclamation to the attention of the Cabinet Members and invited them to recommend any desirable changes.

8. Policy on Atomic Energy. The President indicated that he had received from Mr. Dean a policy letter on atomic energy, which he

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had referred to the National Security Council but would want eventually to take up with the entire Cabinet.

9. British-American Financial Discussions. Mr. Humphrey reported the progress of these talks.

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E.O. 11652, Sec. 5 (B) (3)
NSC LTR 3/10/77
NLE Date 3/23/77

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NOTES ON CABINET MEETING -- March 6, 1953.

All. 1. Mr. Dodge noted the generally small reductions made in the revised budget estimates submitted thus far by departments and agencies, and he indicated the President may have to direct further reductions.

All 2. Mr. Hagerty presented the following means of increasing public presentation of Administration viewpoints: (a) Press conferences by individual Cabinet Members; (b) Off record talks on special occasions such as National Press Club luncheons, National Association of Newspaper Editors meeting, etc.; (c) Television reports to the people using facilities offered to the Administration by the networks; (d) Closer coordination between the departments and the White House for making early release of newsworthy items; (d) "Dope" stories on philosophy behind Administration or Cabinet actions.

All 3. The hope was expressed that the number of appearances of Cabinet Members before Congressional Committees can be minimized particularly through development of close, personal, informal relations with Committee Chairmen.

All 4. The President presented a memorandum requesting each department to accomplish necessary coordination with Congress prior to submitting projects to him for action. The President's liaison office (General Persons and staff) is available for assistance if desired.

All 5. Suggestions for additions or corrections to the proposed proclamation on half-staffing the Flag should be sent to the State Department for protocol consideration.

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THE WHITE HOUSE
WASHINGTON

March 13, 1953.

THE ASSISTANT TO THE PRESIDENT

PERSONAL AND CONFIDENTIAL

Dear Mr. Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet Meeting:

1. The request was made that General Persons be informed of the names of any individuals whom Cabinet Members think might be helpful in effecting liaison between the Administration and Congress in regard to specific or important projects.

2. Attention was drawn to Director Dodge's memorandum of February sixth concerning the possibility of effecting the transfer of Schedule A employees from one department or agency to another. The President expressed the hope that every effort should be made to locate suitable positions for such Schedule A employees when transfer is necessary.

3. It was agreed that action on the proposed executive order concerning Schedule A positions will be carried through without the customary circularization of the departments.

Sincerely,

Honorable Harold Stassen,

Director for Mutual Security.

Cabinet f –

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E.O. 11652, Section 1
By BHC NLE, Date 12-15-76

MINUTES OF CABINET MEETING

March 13, 1953

10:00 A.M. to 11:45 A.M.

The following were present:

President Eisenhower

Vice President Nixon
Secretary Dulles
Secretary Humphrey
Secretary Wilson
Attorney General Brownell
Hon. Charles R. Hook,
  Acting Postmaster General
Secretary McKay
Secretary Benson
Secretary Weeks
Secretary Durkin

Mrs. Hobby
Director Dodge
Mr. Stassen
Governor Adams
Gen. Persons
Mr. C. D. Jackson
Mr. Cutler
Mr. Hughes
Mr. Shanley

(Mr. Hauge and Mr. Flemming attended during discussion of Items 1-4.)

Discussion of the items on the agenda was prefaced by the President's query concerning Government purchases of land for parks in the Falcon Dam area. The President commented that the Government already possesses considerable land and he felt more should not be bought unless necessary. The President has written a memorandum to Mr. Brownell and Secretary Dulles concerning this, and Governor Adams indicated that a small investigating group was already looking into the matter.

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Item 1 was postponed until later in the meeting.

2. Foreign Economic Policy. The President presented a proposal to have the National Advisory Committee on International Monetary Problems strengthened and expanded with a working staff to be the central organization for developing foreign economic policy. Mr. Humphrey commented on the present inactivity of the NAC and the recommendation of the Rockefeller Committee for abolishing it. Mr. Humphrey believed the NAC might be re-invigorated. Mr. Jackson called attention to the vast public ground swell favoring free trade, and he noted the desirability of having a White House group with which a potential citizens group could cooperate. The President called attention to the great need for a central point for all such problems.

Discussion of this subject is to be continued subsequent to the development of the study now being made under the leadership of Secretary Weeks.

3. Bricker Amendment. Mr. Dulles noted again the possibility of a head-on collision between the Administration and the supporters

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of Senator Bricker's amendment, and urged that every effort be made to find a suitable alternative. He described the amendment as "impossible" even if revised, but he thought the Bricker group had already accomplished much of its purpose by calling public attention to the potential danger of treaty-made law.

The Vice President suggested the possibility of a resolution as an alternative which would express the sense of the Bricker objectives. Mr. Stassen noted a study by a section of the American Bar Association which favored a "reserve" paragraph in treaties.

It was agreed that Mr. Humphrey would discuss the matter with Senator Bricker.

This discussion led to further comment on the difficulties created for the Administration by continuing Congressional investigations. Mr. Weeks commented that such investigations would soon reflect on this Administration rather than on the past one. The President commented on the need for Congress and the Administration to cooperate in building an admirable record by 1954 or run the risk of losing control of Congress. The President suggested that Cabinet Members inform General Persons of any individuals not in Government who might on occasion be helpful in promoting good relations with Congress.

4. St. Lawrence Seaway. Mr. Dodge reported that Budget had secured general clearance reports from all agencies involved, although reservations have been expressed. Mr. Humphrey set forth at length his own interest in development of the St. Lawrence as a result of his experience and interests in the steel industry. He recommended that the Administration support both the Wiley bill and the request of New York State to the FPC to be allowed to participate in the power development project. He reviewed the groups which support or oppose the waterway.

The President noted that the opposition previously voiced by Senator Saltonstall did not seem valid in regard to limited provisions of the Wiley bill. He indicated that his earlier lack of enthusiasm had been motivated by the extensive cost of proposals prior to Senator Wiley's.

Governor Adams set forth the many factors making for close relations between Canada and the United States along the St. Lawrence border, and advocated support for the proposal.

Mr. Brownell hoped that the Administration would take a strong affirmative position rather than merely one of not opposing.

It was agreed that the subject would be discussed at the next Legislative Conference.

1. Controls. Mr. Flemming presented a memorandum of the Defense Mobilization Board concerning Administration recommendations for extension of controls. This memorandum had previously been discussed with the President.

In regard to rent controls, it was tentatively agreed to propose extension until April, 1955, in order that State Legislatures

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would have sufficient time to enact rent controls of their own. Five of the other six recommendations in the memorandum were accepted without objection. They concerned controls for critical items, Government lending for defense production expansion, continuation of the Small Defense Plants Administration, ending of authority to requisition and condemn, and employment without compensation in connection with defense production.

Mr. Flemming pointed out that Mr. Brownlow regarded price controls over critical materials as undesirable. Mr. Stassen commented that he had agreed to this with reservations primarily because of indications that the price of copper would fall. The Administration is to take steps to reduce inflationary pressures on critical materials.

A lengthy discussion concerning consumer credit controls resulted in a decision to recommend to Congress creation of standby authority for consumer credit control. Mr. Humphrey believed this unnecessary, but the President, Mr. Stassen, and Mr. Wilson believed it a desirable instrument to have in the tool kit in case of a developing emergency. The Vice President thought it better to request such authority now rather than later.

5. Civil Service Commission. Governor Adams announced the nomination of Mr. Philip Young to be Chairman of the Civil Service Commission, and indicated that he would attend Cabinet Meetings whenever pertinent.

Mr. Dodge reviewed the proposed executive order concerning Schedule A, and he outlined the procedure for transferring Schedule A personnel from one agency to another. The President requested that every effort be made to find suitable alternative positions for experienced personnel.

It was agreed that the executive order would be prepared and issued without the customary process of clearance.

6. FSA Reorganization. General Persons noted the excellent liaison achieved by Mrs. Hobby with Congress in regard to the FSA reorganization plan. He indicated that Congress would take affirmative action to put the plan into effect more quickly, something which had never before happened.

7. NATO. The President informed the Cabinet that he did not intend to act upon the suggestions offered by Ambassador Draper in a letter which the President had circulated among Cabinet Members.

LAM

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THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING
Friday, March 13, 1953

1. Administration position on the extension of Controls legislation. (The President)

2. The Bricker Amendment (SJ Res 1). (The Secretary of State)

~~3. Administration position on the St. Lawrence Waterway. (The Secretary of State)~~

4. Civil Service Commission and status of Executive orders. (The Assistant to the President) ✓

5. Forum to develop foreign Economic policy (The President)

6. Speak of Ambassador Draper's letter (copies to State, MSA, Defense)

Dulles

Jack Porter, — Milton.

Mis. situation.

— Falcon Dam. (wish not to inundate 46,000)

— Lawson. — Boundary Commission.

Sec. S.E.C.

John Martin.

DMB MTG. No. 31
March 12, 1953

PROPOSED POSITION TO BE TAKEN BY EXECUTIVE BRANCH IN CONNECTION WITH HEARINGS ON EXTENSION OF THE DEFENSE PRODUCTION ACT

RECOMMENDATION #1

Present authority to control rents in defense-rental areas should be extended only until December 31, 1953 and in the critical defense housing areas until June 30, 1954.

Defense-rental areas are areas which by local government action, while under Federal rent control and prior to September 30, 1952, requested the continuance of Federal control. The proposed extension for these areas until December 31, 1953 will give the state and local governments involved a last chance to provide for rent control by non-Federal authority. The date chosen would make it clear that a further extension by the Congress is not to be expected since the Congress would not normally be in session in December.

Critical defense housing areas are certified as such by Federal authority on the basis of substantial expansion of defense activity in the area, substantial in-migration of defense workers or military personnel, and substantial housing shortages threatening excessive rent increases. Because of the direct connection between national defense activities and the danger of excessive rents in these areas, plus the fact that additional areas of this type may come into existence during the next year, it is appropriate to continue Federal rent control until the Congress can have another opportunity to review the situation.

Present authority expires April 30, 1953.

RECOMMENDATION #2

The authority to require preference in the performance of contracts and to allocate materials and facilities for the national defense should be extended to June 30, 1954.

The procurement and construction programs of the military departments and the Atomic Energy Commission will continue at high levels throughout fiscal year 1954. Priority must be accorded those programs and in the case of a few scarce and critical materials non-defense uses must be limited or prevented. It is proposed to add language to the statutory provision which will make it clear that the authority is not available for use to control the general distribution of materials in the civilian economy except for those scarce and critical items which are essential for the national defense.

RECOMMENDATION #3

Authority to assist private enterprise in the expansion of productive capacity should be extended to June 30, 1954.

The authority to guarantee loans in connection with defense contracts and to make loans and commitments to purchase for the development of raw materials and the expansion of industrial capacity will be necessary in fiscal 1954 to complete the industrial base for the national defense. The amount of borrowing authority to be requested (present authority is $2.1 billion) is still under consideration.

RECOMMENDATION #4

Authority for the Small Defense Plants Administration should be continued until June 30, 1954.

While military procurement continues to be a substantial factor in the economy it is appropriate to provide the machinery for special assistance to small business concerns so that they may engage to the fullest possible extent in the defense program. Organizational questions with respect to the Small Defense Plants Administration remain for answer, but the basic legislative authority should be extended.

RECOMMENDATION #5

Authority to control prices, wages and real estate construction credit should be allowed to lapse.

Use of the authority provided by the statute in these areas has been substantially ended and it is not expected that the reimposition of controls will be necessary. Emergency authority in the President to impose a stop-gap prohibition against price and wage increases for a limited period, during which Congress could take appropriate action, would no doubt be useful if a substantial new emergency should arise.

RECOMMENDATION #6

The authority to requisition and condemn personal and real property, as well as several other provisions of existing law providing authority appropriate or incidental to a general control program should be repealed or allowed to lapse.

The military programs having acquired momentum and the supply of materials having already been substantially increased, there is little reason to believe that emergency authority to requisition or condemn will need to be used in fiscal 1954. Similarly, authority to prohibit the private hoarding of materials listed by the President is no longer necessary. Authority, in support of wage stabilization, for emergency action to prevent or settle labor disputes is not appropriate in the absence of authority to fix maximum wages. Likewise the authority to subsidize the production of raw materials to avoid the loss of production by reason of ceiling prices may be eliminated. Extending the provision limiting imports of fats and oils, dairy products and certain other foods will not contribute to the continuing defense program.

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, March 20, 1953

1. Recommendations on Rent Control and Consumer Credit. (The President and the Acting Director of Defense Mobilization)
2. The Bricker Amendment. (The Secretary of State)
3. Administration accomplishments. (The President and the Press Secretary to the President)
4. Holdovers in top positions. (The President)

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MINUTES OF CABINET MEETING

March 20, 1953

10:00 A. M. to 11:50 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Secretary Dulles
Secretary Humphrey
Secretary Wilson
Attorney General Brownell
Postmaster General Summerfield
Secretary Benson
Secretary Weeks
Secretary Durkin

Mrs. Hobby
Director Dodge
Mr. Stassen
Governor Adams
Mr. Cutler
Gen. Persons
Mr. C. D. Jackson
Mr. Shanley
Mr. Hughes
Amb. Lodge

(Messrs. Flemming and Hauge were present until the conclusion of the discussion on rent control and consumer credit.)

Discussion of the items on the agenda was prefaced by the President's remarks concerning the treaty with NATO nations concerning jurisdictional matters which will soon be brought up in the Senate. The President urged that any Cabinet Members who may testify on the treaty familiarize themselves first with the complexities of the subject and the impracticality of reopening negotiations. The President also remarked on the high ability of the members of the NSC Civilian Advisory Group and suggested that Cabinet Members might have occasion to call on them for expert advice.

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Personnel - The President presented a memorandum concerning personnel officers and urged that Cabinet Members quickly establish completely loyal people in these positions so that policies for reducing personnel, etc., will not be subverted to the disadvantage of supporters of this Administration. Governor Adams noted reports he has had that arrangements have been made in each department to protect the interests of the previous Administration.

Controls - Mr. Flemming reported on his study with Mr. Brownlee on the material concerning rent controls presented at the last Legislative Conference by Representative Wolcott. Nine-tenths of the units controlled are in States where the Legislatures have acted or are in a position to act in the near future. Recommendations will be made as soon as possible to Congress to have controls in Critical Defense Areas extended to April 30, 1954, and controls in Federal Rent Control Areas extended in any State until 60 days after the next meeting of the State Legislature, or until March 15, 1954, if the Legislature has no prior

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By SHC NLE, Date 9-7-77

meeting. The Cabinet approved these recommendations.

In regard to standby consumer credit controls, Mr. Flemming reported that he has asked the Attorney General for a memorandum on the powers conferred in the Trading With the Enemy Act. He also presented a memorandum from Governor Martin of the Federal Reserve Board recommending against legislation for standby consumer credit controls. Governor Martin expressed the opinion that in a real emergency the President could request the Federal Reserve Board to invoke such controls under the Trading With the Enemy Act.

The President again commented on the special need for this Administration to be concerned with the interests of the people because of the 'business' label it carries.

Secretary Humphrey discussed at length the desirability of avoiding controversy with Congress unless credit controls are absolutely necessary. He indicated that decisions to be made soon on certain basic policies of the Administration will allow clearer judgment to be made. He also pointed out that the success of decontrol measures depended upon the broad program of the Administration and that if the entire program cannot be carried out a re-thinking of controls may be necessary. Mr. Wilson asserted that decisions concerning the Defense Department budget will necessarily affect other decisions. Mr. Dulles noted recommendations which have come to him which indicate the need for heavy spending abroad to prevent Communist expansion, and he called attention to the psychological impact on our Allies which would endanger security as a result of American concern with budget balancing.

Mr. Brownell expressed hope that legislation such as standby consumer credit controls, if necessary, could be accomplished on a two-year basis so as to avoid reconsideration in 1954. The Vice President stated that Representative Wolcott was the key to the situation, and that his support is essential for the passage of such legislation. The President asked for material for possible use in the next Legislative Conference concerning the possible major difficulties the Administration may encounter in coming years and the machinery necessary to prevent their development.

Mr. Flemming also presented the recommendation for continuation of borrowing authority of $2.1 billions for expansion of Defense Production facilities. The Cabinet approved it.

Surplus Foodstuffs to Korea - The President reiterated the desirability of using surplus foodstuffs productively rather than letting them go to waste, and Mr. Stassen indicated that he and associates were studying the possibility of making them available to Korea. This project was discussed also in terms of improving Korean morale.

Bricker Amendment - The President and Mr. Dulles reported their conversations with Senator Bricker as showing that he would not

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insist on the specific content of his amendment but that he greatly desired to have enacted some sort of an amendment which would carry his name. Mr. Dulles emphasized the danger of agreeing to even a harmless amendment, particularly since there has been no cause for complaint against actual effects of treaties during the history of the United States. He pointed also to the impracticality of attempting to amend the Constitution against every specific danger which might appear in the course of public controversies. The President stated that changing procedure on treaties to the ordinary control of both Houses would have the effect of making treaties impermanent since each Congress could negate the action of the preceding Congress.

Mr. Brownell suggested as a possible solution the creation of a commission which Senator Bricker would head. The Vice President urged that the Administration make clear that the objective of such a commission, if established, would be to find some alternative and that the Administration could not support the Bricker Amendment. Mr. Humphrey and Mr. Dulles are to continue the discussions with Senator Bricker.

Publicity - Mr. Hagerty reported on the plan for preparing summaries of Administration achievements and he commented on the successful publicity connected with the reduction of the Commerce Department budget. The Vice President said that economies of personnel seem to secure greater approval than monetary economies, particularly in regard to activities abroad. Mr. Dodge outlined the etiquette which requires that details of departmental budgets not be discussed prior to submission to the House Appropriations Committee, and that they be discussed only in general terms after submission.

Security - Mrs. Hobby noted that half of the security officers in the FSA had never had a security check made on themselves, and she recommended that Cabinet Members look at the situation in their own departments.

It was agreed that no Presidential appointment will be made until a security check has been obtained.

Minnich

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Minnich

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THE WHITE HOUSE
WASHINGTON

THE ASSISTANT TO THE PRESIDENT

March 20, 1953.

PERSONAL AND CONFIDENTIAL

Dear Mr. Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet Meeting:

1. Cabinet Members were requested to familiarize themselves with the complexity of the negotiations for the treaty with NATO nations concerning jurisdictional matters prior to testimony any of them may give before Senate Committees. Insuperable difficulties would be created by reopening the negotiations on the treaty.

2. In connection with the President's memorandum, emphasis was placed upon the need for establishing completely loyal personnel in administrative positions prior to making major changes in personnel policies, so that these policies will not be subverted.

3. Attention was again called to the need for publicizing administration achievements particularly in terms of economies of personnel. Mr. Dodge outlined the etiquette which requires that details of departmental budgets not be discussed prior to submission to the House Appropriations Committee, and that they be discussed only in general terms after submission.

4. It was agreed that no Presidential appointment will be made until a security check has been obtained.

5. Mr. Stassen indicated that he and associates are studying the possibility of making surplus foodstuffs available to Korea.

Sincerely,

Honorable Harold E. Stassen,

Director for Mutual Security.

THE WHITE HOUSE
WASHINGTON

March 19, 1953

MEMORANDUM FOR THE PRESIDENT

REGARDING: Cabinet Meeting, March 20

You wanted to mention the NATO Status of Forces Agreement which comes up soon in Senate Foreign Relations Committee. It deals with criminal jurisdiction of visiting forces and is the best common denominator we could possibly get with 14 nations. Very important it be ratified -- our base rights depend on it and it has come to symbolize our readiness to work with Allies as equal partners.

COL. [redacted]

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, March 27, 1953

1. Section 104 of the Defense Production Act, dealing with foreign agricultural surpluses. (The Secretaries of State and Agriculture)
2. The St. Lawrence and Niagara River projects. (The Assistant to the President)
3. Status of the Executive Order concerning "Schedule A" positions. (The Chairman of the Civil Service Commission)
4. Civil Service Regulations, with special reference to reductions in force and "bumping" rights. (The Secretary of Commerce)
5. Psychological Warfare: Communist exploitation of Stalin's death. (The Special Assistant to the President for Cold War Planning)
6. Telling the Administration Story. (The Press Secretary)

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MINUTES OF CABINET MEETING

March 27, 1953

The following were present:

President Eisenhower

Vice President Nixon
General Smith (for
Secretary Dulles)
Secretary Humphrey
Secretary Wilson
Mr. Brownell
Mr. Summerfield
Secretary McKay
Secretary Benson
Secretary Weeks
Secretary Durkin

Mrs. Hobby
Ambassador Lodge
Mr. Stassen
Director Dodge
Governor Adams
Mr. Cutler
Gen. Persons
Mr. C. D. Jackson
Mr. Shanley
Chairman Philip Young

Discussion of the agenda was preceded by a report from the President concerning a letter he had received indicative of public opinion on the attitude he should take toward Senator McCarthy. The President added his own thoughts on the matter to the effect that he should not attack an individual but that he and the Cabinet should use their influence to strengthen the position of Congressional leaders vis-a-vis extremist minorities. The President commented on the tremendous improvement of Executive-Legislative relations since January 20.

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__Section 104, Defense Production Act__ - Secretary Benson outlined the problem created by 90% parity support for dairy products with the resulting attraction of foreign dairy products which magnify the problem of dairy surpluses. He noted that section 104 of the Defense Production Act, which allows restriction on imports in such cases, will soon expire and that the Administration will be called to testify on the need for continuing this provision. He indicated also that he was compelled recently by law to restrict dairy imports because the Defense Production Act is still effective. The need for some sort of restriction was recognized by all so long as price supports are in effect.

It was agreed that efforts to dispose of surpluses before spoilage should be intensified and that Congress should be requested to

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pass a resolution which will allow these to be given away in preference to spoilage. Messrs. Wilson and Stassen offered to have Defense and Mutual Security share the cost with Agriculture if Congressional action is not forthcoming. The President, the Vice President, and Mr. Humphrey agreed it would be most desirable to have the cost of price supports brought out in the open rather than billed indirectly through Defense and Mutual Security Agency.

Secretary Benson and General Smith both opposed section 104 as the means to discourage imports in such cases, particularly because of the retaliatory action it inspires among foreign countries. General Smith recommended that alternative action be taken through the Tariff Commission under the provisions of section 22 of the Agricultural Adjustment Act. Secretary Benson emphasized the need for overcoming the traditional slowness of Tariff Commission action. The President agreed on speeding up the Tariff Commission and to the extent if necessary of changing the number of members of the Commission.

It was agreed that the Departments of State and Agriculture would confer on shaping the Administration's policy in regard to section 104. The State Department in its testimony on April 1 will take the position that, rather than supporting the continuation of section 104, it will recommend that the necessary control of importation of foreign agricultural surpluses should be secured by prompt and effective action by the Tariff Commission under section 22 of the Agricultural Adjustment Act.

St. Lawrence Seaway and Niagara River Projects - Governor Adams outlined the status of the projects concerning the New York State - Ontario power developments of the St. Lawrence Seaway project, and the question of power development of the Niagara area. He recommended that no legislation concerning the power projects be initiated until after the forthcoming decision by the Federal Power Commission in regard to the St. Lawrence. Mr. Humphrey advocated that extensive study be given to the Niagara River project. The President commented that he could see great difficulty in having the Federal Government oppose a State government policy in a case such as the Niagara River development.

In the discussion of Administration policy for the Seaway proposal involving an investment of $5 million, the President, the Vice President, Secretaries Wilson and McKay, Messrs. Brownell, Stassen, and Governor Adams indicated their strong desire to have a voice in the project rather than let Canada monopolize the development. Secretary Weeks said the Department of Commerce memorandum had not been enthusiastic because he had been unable to obtain any clear indication of how great an expenditure would be involved. Secretary McKay indicated the favorable effect United States participation would have in regard to other negotiations with Canada in such areas as Alaska and the Columbia River. Ambassador Lodge set forth determining arguments when last discussed in Congress, but agreed that under present circumstances the Administration should favor US participation.

The Administration's support will be brought up for discussion at the Legislative Conference on Monday.

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Civil Service - Chairman Young presented the latest draft of the executive order concerning Schedule A. He indicated that the present Schedule A classification will be split to produce Schedules A and C. Schedule B will remain the same. After the executive order is published, the Commission will consider requests from the departments for shifting positions from Schedule A to Schedule C. Mr. Young will send a memorandum to each Cabinet Member for guidance on requesting changes of classification of positions.

In a discussion of the provisions of the Veterans Preference Act, Chairman Young indicated that during the last year only 800 out of several thousand veterans appealed to the Civil Service Commission for reinstatement, and only 96 of the 800 were reinstated. The President commented and Mr. Stassen agreed that overdoing veterans preference by applying it to Schedules A, B, and C is self-defeating, for it encourages an Administration policy of not appointing any veterans to policy-making jobs from which they cannot be easily removed. Chairman Young indicated that some amendment may have to be requested in reference to veterans preference.

Secretary Weeks called attention to the "vicious and fantastically bad" practice of bumping. He indicated current procedures in regard to bumping will cost the Department of Commerce $700,000 during the coming year because of the displacement of some 800 civil service employees at a high level. Chairman Young said the Civil Service Commission is already working on this problem.

Mr. Summerfield called attention to the study under way in the Post Office Department aimed at major personnel reductions in four bureaus.

Psychological Warfare - Mr. Jackson urged that Cabinet Members use extreme caution in any speeches, parts of which may be related to Soviet propaganda. He discussed a proposal now under consideration which might be of extreme importance in cold war activities.

Administration Achievements - Mr. Hagerty reported on the plans for preparing regularly a summary of Administration achievements and he presented a summary covering achievements since January 20. This summary will be made available to all Cabinet Members, the White House staff, and appropriate Members of Congress. He noted the usefulness of these summaries as a means of keeping Cabinet Members informed of activities in departments other than their own.

Mr. Dodge repeated the need for providing Congress with budgetary information prior to making it available to the public. Caution was urged in presenting and using such material to avoid stating as accomplished fact what is merely planned or intended. Mr. Summerfield commented on the need for double checking that figures submitted are exact.

The President commented that these summaries should not be presented or used in such a way as would invite charges of the White House being a propaganda machine.

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By GWC NLE, Date 9-12-77

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Bricker Amendment - As a result of a brief discussion on the status of the Bricker Amendment, it was agreed that the Vice President, Secretaries Weeks and Humphrey, and Mr. Brownell will discuss with Senator Bricker the establishment of a commission to study possible alternatives to the amendment. The State Department and the President agreed with this procedure but preferred not to participate.

Foreign Trade - Mr. Wilson presented for Cabinet consideration the decision he is about to make concerning the purchase of generators and transformers for a power project near Grand Coulee Dam. The low bid on the project was submitted by a British firm, but it was not sufficiently low to be automatically accepted under the terms of the "Buy American Act". Although the Commerce Department had noted that purchase from American firms in this case would be uneconomical as well as contradicting the Administration policy of encouraging foreign trade, the Defense Department believed it necessary to reject the British bid because of the risk of not being able to secure delivery some years from now in a changed international situation. Mr. McKay and Mr. Brownell tended to agree with Mr. Wilson. General Smith said that the British are watching this item as a test case and that the State Department believed the decision to reject the British bid was ill-advised in view of the effort being made to increase foreign purchases of American materials.

The President commented that the general policy as established by law at present is to "Buy American" rather than "Trade, not Aid". To weaken this general policy in this instance might be embarrassing in terms of laws desired by the Administration in the future.

It was agreed that Secretary Wilson would talk with the Chairmen of the appropriate Congressional Committees to determine their feeling in the matter.

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THE WHITE HOUSE
WASHINGTON

THE ASSISTANT TO THE PRESIDENT

March 27, 1953.

PERSONAL AND CONFIDENTIAL

Dear Mr. Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet Meeting:

In regard to section 104 of the Defense Production Act, concerning import restrictions on agricultural items in surplus supply, the Departments of State and Agriculture are to confer on shaping the Administration's policy. The State Department in its testimony on April 1 will take the position that, rather than supporting the continuation of section 104, it will recommend that the necessary control of importation of foreign agricultural surpluses should be secured by prompt and effective action by the Tariff Commission under section 22 of the Agricultural Adjustment Act.

The St. Lawrence Seaway will be put on the agenda for Monday's Legislative Conference with a view to presenting the Administration's support for the Seaway (Wiley bill). Since a decision by the Federal Power Commission on the application of the State of New York for a license is pending and is in early prospect, no recommendation will be made for legislation concerning the St. Lawrence power project. The Administration will take no position in the matter of a license for development of Niagara River power.

The Executive Order on Civil Service and Schedules A, B, and C will soon be issued. Mr. Young will send a memorandum to each Cabinet Member for guidance on requesting changes of classification of positions. Mr. Young is to study recommendations for changes in the Veterans Preference Act and also possibilities of revising the "bumping" provisions. Mr. Young hopes to have individual conferences with Cabinet Members concerning particular problems of their departments.

Mr. Jackson urged that all Government officials give extreme care to any speeches, parts of which may be related to Soviet propaganda.

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In connection with the summaries of Administration achievements to be prepared by Mr. Hagerty, Cabinet Members were urged to avoid expressions of intent which might be misinterpreted as completed action, and to keep in mind the need for presenting to Congress the details of budget changes before public announcement. Any suggestion for altering the makeup of the achievement memoranda can be sent direct to Mr. Hagerty.

There will be no Cabinet Meeting on April 17.

Sincerely,

Honorable Harold E. Stassen
Director for Mutual Security

[illegible] the summaries of Administration [illegible] prepared by Mr. Hagerty, Cabinet [illegible] memorandums of intent which [illegible] action, and to keep [illegible] the details of [illegible]. Any suggestion for improvement [illegible] may be sent [illegible]

[illegible] Cabinet [illegible]

Sincerely,

[illegible]

Honorable Harold E. Stassen

Director for Mutual Security

3/13/53
3/27/53
4/9/53
4/10/53
4/24/53
5/8/53
11/12/53

7/9/54
7/16/54
11/19/54

DEPARTMENT OF STATE

1. A survey shows that in January of 1952, 32% of the citizens approved of the State Department's handling of our foreign affairs, and in September of 1952 the figure was 30% and in October 34%. But in February 1953, since the Eisenhower Administration has come in and Secretary Dulles has assumed office in the State Department, 71% of the people approve of our handling of foreign affairs.

2. After investigation by the Security Office, 23 employees have been separated from the Department for security reasons. The files on these persons were in the Department under the former administration but had not been acted upon.

3. The Secretary has visited all the EDC countries plus Great Britain to get a first-hand look with a view of strengthening a policy that would bring about a better defense in Western Europe against communism. Secretary Dulles will go next month to the NATO meeting in Paris for the same purpose. Moreover, in May he plans a trip to the Middle East covering most of the Arab countries and Israel. Then he will go on to India and Pakistan to get first-hand observations of that sensitive region with a view to formulating a more effective policy.

4. The agreement reached in talks the Secretary had with the British has brought about tighter control of shipping going to communist China and other communist ports in the Far East.

5. The United States and Egypt signed a Point 4 agreement in Cairo on March 19 for a project under which 16,000 landless peasant families will be resettled on 80,000 acres of reclaimed land and participate in model projects involving such fields as public health, vocational education, agricultural extension and farm-to-market roads. The United States will contribute $10,000,000 and Egypt will contribute the equivalent of $16,000,000. The project is the largest undertaken by Point 4 in any Arab state and is an expression of the interest of the Egyptian Government in a program of broad social significance.

6. As for the German area, the most notable accomplishment in recent weeks has been the ratification on March 19 by the German Bundestag of the Contractual Agreements concerning the future relationship between Germany and the allied powers, and concerning the establishment of the European Defense Community. While further steps will be necessary to complete the process of ratification, the action of the Bundestag is a significant step on the way to a restoration of normal relations between the United States and Germany and toward the consolidated defense of the West.

   Another accomplishment of importance was the signing of the so-called Debt Settlement Agreement on February 27 in London, which after the ratification by the signatory powers, will provide for the settlement of the external debt of Germany helped by creditors in some thirty countries and involving payments totaling 3.27 billion dollars.

   Furthermore, representatives of the U.S. Government and of the Government of the Federal Republic have initialed a text of cultural convention which will encourage and facilitate cultural interchange between the two countries.

7. The Secretary, upon taking office, made a report to the country on TV and radio on the outstanding foreign policy problems and his general philosophy on how to handle them. Immediately after his return from his European trip, he made a report to the country with most of the major networks carrying it on radio and TV. He has made several off-the-record speeches to Congress and other eligible groups on foreign policy. He has appeared at the United Nations where he set forth his philosophy on the immediate significance of Stalin's death upon foreign policy. The Secretary has under contemplation many moves by which peace may be achieved and the Russian grip on the vast area of the satellites may be loosened without war. Moreover, the Secretary has been at considerable pains to improve our relations with the South American Republics and notable progress has been reported in that field.

TREASURY DEPARTMENT

1. Secretary of the Treasury Humphrey has begun a program of converting more of the national debt into longer-term securities. On a February offering of $8,867,000,000, some $619,000,000 was converted into long-term bonds not maturing until 1958. Previous policy had been to convert maturing certificates and bonds on only a 1-year basis.

2. The Secretary has directed Under Secretary Folsom and his staff to undertake an intensive survey of the tax situation. The first phase of this survey is an analysis of taxes which may be needed to meet current revenue needs as they become known. The second phase is a long-range study which will make recommendations on such matters as a proper balance between individual income taxes, corporation taxes and excise taxes. The goal of this survey is to provide a system of taxation which will eliminate inequities and allow the greatest possible growth of the nation.

3. The period ending March 15 is regarded as having been the best tax filing period in recent history. There were fewer waiting lines than before. Thirty percent more people received help in filling out their forms. An after-hours telephone service in all districts received a terrific response. Mailing of refunds is expected to be completed on April 15 for the first time in history. (This will result in a substantial saving as interest begins to accrue after April 15.) A part of the credit for the March 15 success is due to the "Let's Meet 'Em with a Smile" policy of the Bureau of Internal Revenue which Secretary Humphrey endorsed pointing out that "We are in business to help the taxpayer."

4. Commissioner of Internal Revenue T. Coleman Andrews has launched a survey to cut down on the indirect cost of paper work in the Bureau by improved procedures. It is hoped to take some of the savings and increase the auditing by which the Government can get back many times the amount spent.

5. In both January and February, sales of Savings Bonds exceeded redemptions for the first time in more than two years.

6. The Treasury is still conferring with its Bureau heads and the Bureau of the Budget to arrive at agreement as to budget requests.

DEPARTMENT OF DEFENSE

1. Secretary of Defense Wilson appointed a top-level, seven-member committee headed by Nelson Rockefeller to recommend an organic overhaul of the vast Department of Defense. The deadline for the recommendations is April 30, but the committee is requested to report earlier if possible.

2. The Secretary issued orders to Army, Navy and Air Force to cut 39,346 civilians from their payrolls by May 31.

3. The Secretary likewise issued orders to the Services to hold up awarding additional construction contracts until such time as specific projects have again been reviewed and cleared. Construction of projects no longer deemed essential has been halted immediately. A resume for review is being submitted by the Services of construction items less than 20 percent complete on February 10 and which are deemed essential. Savings running probably into the hundreds of millions of dollars are expected to result from these measures.

   Concrete example: Further acquisition of private land and most construction work at seven former Army installations, started last summer as railhead facilities to be used only in the event of mobilization, have been discontinued by the Army. An estimated $15,000,000 will be saved.

4. The Department has undertaken a comprehensive review of the Defense budget, which probably will result in requests appreciably below those of the Truman budget. No overall figures are yet available. The principle is: Intelligent economy; this means that appreciable savings will be sought, but not at the sacrifice of fighting strength; fat will be cut, but not muscle and bone.

5. The Department has adopted the principle that proper phasing of construction, materiel manufacture, and training has to be achieved so as to promote efficiency and economy. This means, for example, that when an air base is ready, the planes for the base will be ready, and the pilots for the planes will be trained. All three have to be planned so that no one or two of the three are waiting for the other two or one.

6. The Secretary of Defense and the Service Secretaries have begun to make trips to production centers so as to stimulate and increase production of military materiel wherever it has lagged.

DEPARTMENT OF JUSTICE

1. Attorney General Brownell has instituted daily meetings with heads of the Divisions and Bureaus, from which arise ideas and recommendations to improve the administration of the Department's many and varied activities.

2. The Attorney General has stopped the "come and go as you please" system prevailing heretofore, and has established regular hours of work, 9:00 A.M. to 5:30 P.M. for attorneys and other personnel.

3. Eight new United States Attorneys have been recommended to the President. Their nominations have been forwarded to the Senate for confirmation. One has been confirmed.

   Six United States Marshals have been recommended to the President. He has nominated all. Two have been confirmed by the Senate. A number of other potential nominees are undergoing character investigations.

4. The Department is currently cooperating with six Congressional investigating committees -- Dirksen, Kean, Keating, McCarthy, Velde and Watkins.

5. Since effective operation is essential to the proper administration of justice, an Executive Office for United States Attorneys is being established as a unit in the Office of the Deputy Attorney General to provide general executive direction for U. S. Attorneys' offices. This step followed a study of the 94 field offices which showed that the offices instituted and terminated between 50,000 and 60,000 court proceedings a year. No such organization has existed. A program is being established for familiarizing new personnel in the United States Attorneys' offices with the functions of those offices and the Department.

   A reporting system of cases being handled in the field is also being revised that will enable the Department to determine how the work of each office is progressing.

6. The legislative program includes a bill to authorize the use in criminal proceedings in United States courts of information intercepted in national security investigations (wire tap bill); legislation closing loopholes in Espionage Act including the extension of the statute of limitations; a measure to give the Attorney General authority to require witnesses before courts, grand juries, and Congressional bodies to testify in exchange for granting of immunity from prosecution; a measure to confer on the Federal Bureau of Investigation exclusive jurisdiction to investigate fraud, bribery, and other violations within the agencies of the Executive Branch including the Treasury Department.

7. The Department is going forward on requesting resignations of persons who are incompetent or not needed.

8. Actions by the Pardon Attorney are now being made public.

9. Two hundred and sixty-three tax cases, in which criminal prosecution has been authorized, have been referred to United States Attorneys since January 20. Among those against whom indictments have been returned are Vincent Hallinan, candidate for President on the Progressive Party ticket in 1952, Emelio Georgetti, so-called gambling king of San Mateo, California, Michael D'Alessio, New York waterfront gambler, and Frank Costello, the racketeer.

10. Renewed vigor has been given to the program to denaturalize and deport communists and other subversives. Orders of deportation outstanding are 290. Nearly 10,000 naturalized citizens are under investigation for engaging in subversive activities. About 12,000 aliens are also being investigated to determine whether they have been engaged in subversive activities or are members of or have been affiliated with the Communist Party.

POST OFFICE DEPARTMENT

Postmaster General Arthur E. Summerfield reports that:

1. The Post Office Department initiated on March 23, 1953 the first step in a plan to give the less-populated rural areas in the country better postal service at decreased costs.

   The plan, when put into effect throughout the country, will bring the postal service into step with population shifts and will be in keeping with the progress made by communities in providing good paved and gravel highways. Outmoded rural post offices will be replaced by mobile postal facilities, giving mail service to patrons' homes. Star mail contract routes are being consolidated in the interest of better service at lower cost. Extension of rural routes, with daily deliveries to postal boxes, into areas now lacking mail delivery will bring improved service to many patrons and yet millions of dollars will be saved.

2. On March 25, the Post Office Department and the Civil Service Commission announced a program for establishing higher standards of eligibility for some 1,700 vacant first, second and third-class postmasters' jobs and the scheduling of new examinations for these vacancies.

3. A task force of management specialists at work in the Post Office Department since February 1, 1953 has already reported that there are excessive layers of supervision, duplicating functions, a complex organization form, and confusion between line and staff functions in the Post Office Department.

   This same organization has reported in preliminary fashion that the Department has an excessive number of people, that there is too much reliance on precedent and a lack of economy and efficiency in many operations.

   Steps are now being taken by the Postmaster General and the various operating heads to correct these conditions as promptly as possible with the sole objective of providing better postal service at lower cost to the taxpayer.

DEPARTMENT OF THE INTERIOR

1. Secretary of the Interior McKay issued orders requiring that all contracts in excess of $10,000 be submitted to the Department with appropriate supporting information justifying the need for the expenditure. The awarding of such contracts requires Departmental approval. A weekly report on all contracts executed for $10,000 or less is required to be submitted to the Department with an adequate showing for the need for the work, supplies, or services covered. All appointments and reallocations of positions must be submitted to the Department with adequate justification. Approval is required for all proposed actions covering positions in grades above CPC-3 with exceptions being made in defense activities, temporary positions and those positions related directly to day-to-day operations of utility type services, hospitals, schools and other essential operating functions.

2. The Secretary required a thorough review of all programs to achieve reductions or eliminate activities which would not impair the responsibilities of the Department. Programs which form the basis of both public and private utilization of the natural, mineral, land, and water resources, were evaluated on the basis of the Department's contribution in these fields.

3. Other programs of park and road development and maintenance were evaluated on the basis of need for additional facilities as well as for the protection of the facilities already in existence.

4. Programs for the Indians and Territories were evaluated with respect to the Government's responsibility for administration of these areas directed toward the goal of encouraging and developing self-sufficiency in these areas.

5. Construction programs of the Department were reviewed for the purpose of providing only those services necessary to achieve the most economical use of completed facilities and to continue an economic rate of construction on projects under way to utilize the resources which would otherwise be wasted.

6. The Secretary has stated that economy will be practiced by reduction in personnel and other expenditures by more economical operations, but economy will not be practiced by stopping or curtailing essential activities upon which much of the economy of the country is dependent.

DEPARTMENT OF AGRICULTURE

1. Secretary of Agriculture Benson has been moving steadily toward the goal of increasing the efficiency and effecting sizeable economies in the Department of Agriculture. Immediately upon taking office, he announced a re-grouping of the 20 agencies and bureaus of the Department into 5 units only one of which, the Solicitor's office, had existed previously. The plan streamlined administrative efficiency by cutting out the old practice of each unit reporting directly to the Secretary and set up a schedule under which they reported to the group leader and he, in turn, to the Secretary. More recently this has been expanded to 6 groups by the creation of an Office of Foreign Agricultural Services, which is expected to greatly strengthen and expand not only the Department's but the nation's agricultural export program.

2. During the first sixty days, the Secretary has called in and met with a list of advisory committees covering all the major commodities. These have examined the Government programs bearing upon production and marketing, and have made recommendations not only to increase both the efficiency of the Department in handling the problems of the various commodities, but also to step up the marketing tempo.

3. In a memorandum last week, the Secretary ordered all Production and Marketing state and country committees placed upon a per diem basis. The move alone will effect an estimated $625,000 annual saving and will result eventually in a very considerable reduction in personnel.

4. While these moves were going on, the 1953-54 budget was carefully reviewed and analyzed to effect economies both in dollars and personnel.

5. A very serious farm-price situation, one in which farm prices have dropped 15 per cent in a matter of 18 months and was particularly critical in the fields of meat and grain, was met and dealt with without resort to emergency measures.

6. A reorganization bill giving the Secretary power to revamp the Department is now before Congress.

COMMERCE DEPARTMENT

Some of the plans and accomplishments of the Commerce Department under Secretary Sinclair Weeks are:

1. The Department's printed budget has been revised downward from $1,127,245,925 to $957,802,925, a reduction of $169,443,000 or 15 per cent.

2. Reductions were made, despite the fact that the budget includes $645,661,925 for cash to liquidate prior contract obligations. There was no choice but to approve since the item represents debts of the U. S. Government that will come due in Fiscal Year 1954.

3. The Commerce Department is planning and undertaking measures aimed at giving private industry assurance that its views will be heard and weighed by the Administration. Letters and visits by small businessmen in quest of information are promptly handled. Business advisory groups meet. Arguments pro and con on trade and other subjects are listened to -- although not necessarily accepted.

4. The Department is one of the great fact-collecting agencies of government from which the public and industry acquire knowledge of past, present and future statistics on foreign and domestic commerce, census figures, weather, economic situations and other data. New procedures are under study or in operation to speed up publication of significant facts and to streamline some for more effective use.

5. The Department is trying to get the government out of businesses by offering for sale the Inland Waterways system of canal ships.

6. The Department, through its Maritime Administration, has declared in default more than 14 mortgaged ships that had failed to live up to mortgage terms. These ships had been sold to foreign nations after the war from surpluses and had been reported by Naval Intelligence as trading behind the Iron Curtain.

7. The Department, in conjunction with State, Treasury and other agencies, is study the problem of international trade and American investment abroad for recommendations as to strengthening the economy of the free world while safeguarding domestic industries, agriculture and labor standards.

FEDERAL SECURITY AGENCY

1. To date, because of working on Reorganization Plan No. 1 of 1953 and preparing three pieces of legislation requested by the President, the Administrator has not had an opportunity to study possible jobs that could be eliminated. Because of resignation, one key Agency job has been eliminated, that of Director of the Office of Publications and Reports.

2. Regarding Schedule A jobs, the Administrator has requested that the following positions be taken out of civil service and be made appointive -- all are key policy-making jobs: Assistant Administrator, Assistant Administrator for Program, Assistant Administrator for Defense Activities, the General Counsel, the Director of the Office of Field Services, Director of International Relations, Director of the Office of Vocational Rehabilitation, Commissioner of Social Security, Director of the Bureau of Old-Age and Survivors Insurance, Director of the Bureau of Public Assistance, and Director of Federal Credit Unions. To date, the Administrator has made only one appointment, an Assistant to the Administrator.

3. Accomplishments of the Federal Security Agency include working on the plan to elevate Federal Security from an Agency to a Department (now before Congress), and studying the problems lying behind three pieces of legislation requested by the President. (1) Strengthening inspection provisions of the Food, Drug, and Cosmetic Act (now before Congress); (2) Broadening the coverage of Old-Age and Survivors Insurance; and (3) Continuing Federal aid to schools in Federally-impacted districts.

OFFICE OF THE DIRECTOR FOR MUTUAL SECURITY

Since being sworn in as Director for Mutual Security on January 28, 1953, Governor Stassen has accomplished the following:

1. Made a trip to Europe with Secretary of State Dulles, to get the facts about our European allies;

2. Sent 55 top-flight businessmen to 14 nations to review and evaluate the operations and personnel of the MSP in Europe and the Far East. These men divided themselves into 11 teams, made a 4-week survey, and have written reports which will be useful in making MSP operations more efficient. These teams will return in about a month to check results of their recommendations;

3. Cooperated with the Rockefeller, Milton Eisenhower, Arthur Flemming Group on reorganizing the foreign aid agencies in order to make the MSP more efficient and effective;

4. Taken steps to speed the delivery of arms to our allies;

5. Made the Washington operations of the MSP more efficient by effecting a transitional reorganization -- unifying the Office of the Director for Mutual Security and the Mutual Security Agency;

6. Participated in discussions with the British on how best to reach the goal of "Trade, not Aid";

7. Cooperated with the Congress in developing full information about the operations of the MSP and the Battle Act Administration;

8. Developed a 7-Point Program to tighten-up East-West Trade Controls. This will help in preventing or reducing trade in strategic items between the free world and the Communist bloc. One of the 7 points was the appointment of General William J. Donovan as Special Consultant on East-West Trade Control;

9. Initiated a comprehensive review of the Truman budget request in an effort to see where savings can be made in the MSP next year;

10. In numerous radio, TV and other talks, he has explained the philosophy of the Eisenhower Administration, and told the audience how the MSP fits into the positive foreign policy developed by the President and the Secretary of State; and the military policy being developed by the President and the Secretary of Defense.

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E.O. 11652, Section 1
By BHC NLE, Date 4-5-77

MINUTES OF CABINET MEETING

April 3, 1953

10:00 A.M. to 11:15 A.M.

The following were present:

President Eisenhower

Vice President Nixon
Secretary Dulles
Secretary Wilson
Under Secretary of Treasury Folsom
Mr. Brownell
Mr. Summerfield
Secretary McKay
Under Secretary of Agriculture Morse
Secretary Weeks
Secretary Benson
Under Secretary of Labor Mashburn

Mrs. Hobby
Ambassador Lodge
Mr. Stassen
Director Dodge
Chairman Young
Mr. Shanley
Mr. C. D. Jackson
Mr. Cutler
Dr. Hauge
Mr. Morgan
Mr. Hughes

(Mr. Hagerty was present for the discussion of the item concerning television appearances.)

The discussion of the agenda was preceded by the President's comment that he would like to see something done to 'glamourize' the work of the State Department's foreign service people. Their worth, he said, is not at all adequately recognized. He indicated that some movie people are interested in doing so, and he requested the cooperation of the Cabinet.

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Reciprocal Trade - The President reported on the status of the recommendations for extension of the Reciprocal Trade Act. A one-year extension of the Act will be recommended along with a statement of plans for a broad study of American foreign trade policy.

Secretary Dulles commented that any new study group would necessarily be in close relation to the Douglas group. The President said that Mr. Douglas would not be working on a world-wide basis but that the proposed commission would be in close touch with Douglas. Details connected with the proposed commission for the study will be presented to the Cabinet before it is established.

The President reported on his conversation with Congressmen

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Simpson and Reed, and indicated that their support for a one-year extension is doubtful.

British Purchases - Mr. Shanley pointed out that the law in regard to purchase of foreign goods does not specify any fixed percentage of margin whereby foreign goods can or cannot be bought. The proviso concerning 25% is the result of a Defense Department directive.

In connection with the purchase of generators and transformers from the British, the President quoted a letter from Ambassador Makins to the effect that Britain regards this as a test case because of the nature of the recent British-American Conferences. Secretary Dulles urged that this purchase be made from the British as a means of giving leadership to Congress for developing necessary policies in the future. Secretary Wilson said that the Army Engineers had recommended the American product as being of higher quality. Governor Stassen stated that American industry was not particularly seeking this business which is in a field which the MSA is trying to develop.

The President believed that the decision on this matter should be made with an eye to the effect it would have upon putting through the extension of the Trade Agreements Act. The Vice President believed that this decision would have no serious effect upon extension of the Reciprocal Trade Act which the Administration could secure in any case despite the minority protests that will be forthcoming.

After extensive discussion in which the Vice President and Messrs. Dulles, Lodge, Stassen and Folsom urged purchase of these items from the British, Secretary Wilson agreed to buy them from the British should there be no substantial difference in the quality of the products.

Bricker Amendment - Cabinet Members who are called upon to testify on the proposed Bricker Amendment are to present their individual views. Should any determine to support the amendment, they are free to do so but are urged to confer first with the State Department. Secretary Dulles will send to all Cabinet Members copies of the statement he will make.

The President said that he is publicly expressing his own view that the amendment is unnecessary. It would not hurt the President but it would be damaging to the United States, for to protect against any potential error by this means would serve merely to compound the error. He talked at length on the frequency with which Executive Agreements have to be made.

Congressional Liaison - Attention was called to the President's memorandum to Cabinet Members on the need for closer liaison with the Chairmen of House Committees in order to equal

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that now existing with Senate Committees.

Labor Management Problems - The President reported that Mr. Cole, Chairman of the Federal Mediation and Conciliation Board, had recommended that he make a statement concerning the desirability of keeping the White House out of labor management disputes. The President may call upon Cabinet Members to comment on the desirability of such a statement and a proposed draft in the near future, after the White House has had a chance to consider Mr. Cole's recommendation.

The President invited Cabinet Members to call upon Mr. Cole during his brief remaining stay in Washington for any expert advice they may want on labor management problems.

Television Appearances - Mr. Hagerty discussed the many opportunities available for presenting the Administration point of view on established TV programs with large regular audiences. Most of such programs are prepared to modify their format to meet the wishes of Cabinet Members. It was suggested that appearances with opposition leaders on the same program be avoided.

St. Lawrence Seaway - The President noted that he had sent to Cabinet Members a memorandum prepared by the Chicago Chamber of Commerce concerning the high cost of transportation on the proposed Seaway. He indicated that the project was more complicated than he had thought. He expressed the belief that the Administration would have to support the Seaway sooner or later, for the Administration cannot always be on the defensive, but he wishes more of the opposition viewpoint to be presented in the Senate hearings before the Administration should take a stand.

The President noted particularly the opposition of the railroads against the Seaway.

Public Opinion - Governor Stassen reported on the solid position which the Administration seems to occupy in the public mind in the St. Louis area. The President expressed satisfaction but pointed to the one major criticism which is being made that the Administration is losing the strong new vote it attracted in 1952. He urged that Cabinet Members show the Administration's interest and appreciation of those first-time Republican voters in 1952 who showed their desire for honest, efficient, middle of the road government.

Budget Comparisons - Mr. Dodge reported that the Senate Appropriations Committee desired Administration officials, in presenting their budgets, to make comparisons with the Truman budget for 1954 rather than that for 1953, in order to make any reductions more apparent.

L.A.M.

(Reported by Minnich. Copies only
to Mrs. Whitman and Minnich.)

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THE WHITE HOUSE
WASHINGTON

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April 3, 1953.

THE ASSISTANT TO THE PRESIDENT

PERSONAL AND CONFIDENTIAL

Dear Mr. Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet Meeting.

Reciprocal Trade - The Administration will recommend legislation for a one-year extension of the Reciprocal Trade Agreements Act and will accompany it with a statement of plans for a broad study of American foreign trade policy. Details connected with the proposed commission for the study will be presented to the Cabinet before it is established.

British Purchases - The concensus of the Cabinet was that the purchase of certain generators and transformers should be made from the British should the quality of the products allow.

Bricker Amendment - Cabinet Members who are called upon to testify on the proposed Bricker Amendment are to present their individual views. Should any determine to support the amendment, they are free to do so but are urged to confer first with the State Department. Secretary Dulles will send to all Cabinet Members copies of the statement he will make.

Congressional Liaison - Attention was called to the President's memorandum to Cabinet Members on the need for close liaison with the Chairmen of House Committees as well as with Senate Committees.

St. Lawrence Seaway - For the time being the Administration will not take a public position concerning the Seaway.

Television Appearances - Mr. Hagerty discussed the many opportunities available for presenting the Administration point of view on established TV programs with large regular audiences. Most of such programs are prepared to modify their format to meet the wishes of Cabinet Members. It was suggested that appearances with opposition leaders on the same program be avoided.

Labor Management Problems - Cabinet Members are invited to call upon David L. Cole during his brief remaining period as Chairman of the Federal Mediation and Conciliation Board for any expert advice they may want on labor management problems.

Sincerely,

Bernard M Shanley

BERNARD M. SHANLEY
Acting Assistant

Honorable Harold E. Stassen

Director for Mutual Security

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MINUTES OF CABINET MEETING

April 10, 1953

10:00 A.M. to 11:40 A.M.

The following were present:

President Eisenhower

Vice President Nixon
Secretary Dulles, and
  Mr. Herman Phleger
Secretary Humphrey
Secretary Wilson
Mr. Brownell
Mr. Summerfield
Secretary McKay
Secretary Benson
Secretary Weeks
Secretary Durkin
Gov. Stassen

Mrs. Hobby
Chairman Young
Mr. Flemming
Gov. Adams
Mr. Shanley
Mr. Cutler
Mr. C. D. Jackson
Mr. Morgan
Mr. Hughes
Dr. Hauge (for the first
  two items)

(The Cabinet was opened as usual with a brief silent prayer.)

Reciprocal Trade - Simpson Bill -- The President noted the extensive reaction evoked by discussion of the Reciprocal Trade Agreements Act extension. He had a pleasant surprise from a letter sent by a large women's organization which is campaigning for the Reciprocal Trade Act. Ordinarily, he said, the opposition is much more vocal than the support.

Secretary Dulles expressed his belief that hearings on the Simpson Bill may bring on a major controversy with the Congress. He suggested that the State Department call a meeting of representatives of interested agencies to concert their position for the Simpson Bill hearings.

The President, Gov. Adams, and Mr. Morgan reported their understanding that Representatives Simpson and Reed would not be adamant about their bill, for they intended the hearings mostly as a vehicle for obtaining facts and figures. The Vice President commented that a bill conforming to the President's recommendations had been submitted, and he suggested that the Administration concentrate on the large issues and push off the pressures of small interested groups for study during the coming year.

It was agreed that the State Department should call a meeting such as Secretary Dulles proposed.

British Purchases -- Secretary Wilson informed the Cabinet that during the past week he found additional indications that the

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British generators and transformers were of an inferior quality. He proposed, consequently, to reject the existing bids and to call for new bids on the basis of clarified specifications.

The President, Mr. Dulles, and Gov. Adams expressed their trust that the specifications would not be rigged in favor of the Americans. Mr. Wilson reassured them on this matter.

Secretary Weeks suggested that a new policy be set for the future whereby either foreign firms would not be requested to bid on such projects or that their bids would be accepted whenever low. The President commented that it might be more effective to establish a new lower and more realistic differential than the 25% now used.

Political Activities of Government Personnel -- Secretary Dulles reported a case of two capable men in State who had resigned to participate on the Democratic side in the last election and who were re-employed on a temporary basis shortly after the election. He inquired if action should be undertaken to correct this violation of the spirit of the Hatch Act. Mr. Brownell suggested that a quiet resignation be arranged. No definite course of action was set.

St. Lawrence Seaway -- (Secretary Dulles and Gov. Stassen left in the middle of this discussion.) Secretary Dulles indicated that hearings on the Wiley Bill began on April 14, and that the State Department is not yet certain of the position it is to take publicly.

The President recounted his reasons for delay in adopting a public position on the basis that the Cabinet had never heard fully the arguments against the Seaway. These arguments (recently presented to the President by several railroad presidents) were discussed at length with Secretary Humphrey providing the pertinent facts and figures. Mr. Humphrey stressed the need for an inland waterway from the Labrador ore deposits as a security measure. He emphasized the fact that the Mesabi Range is no longer capable of rapid expansion, and that the Labrador deposits have a potential for expansion such as the Mesabi Range formerly had. He noted that arguments concerning the high costs of transportation through the proposed Seaway were based essentially upon the differentials in railroad rates which are particularly high for the short haul from the Great Lakes region to the Pittsburgh area, and particularly low for the long haul from the East Coast to the Pittsburgh area.

The President called upon the Secretary of Interior to prepare a paper concerning the power development at the International Rapids on the St. Lawrence with a view particularly to developing an Administration position regarding the State of New York's application for a license.

It was restated that the Administration would not take a public position on the Wiley Bill at this time.

Relations with Congress -- Governor Adams recommended that, as a means of strengthening the position of Republican Senators and Representatives in their constituencies, Cabinet Members inform the appropriate Members of Congress in advance concerning local actions planned for a particular State or Congressional District.

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Reduction of Government Facilities -- The President discussed the controversy concerning the closing of the Sands Point Naval Base. He indicated that Governor Langlie was very much opposed to it and was quoting Admiral Radford to the effect that the closing was "pure folly". The President stated that he had more confidence in Radford's judgment than in many others. Secretary Wilson commented that the Navy had planned to close it in 1950 but was pressured by Congress to keep it open. He said he would examine the evidence closely before ordering the closing of the plant. The Cabinet then discussed the advisability of visiting areas where facilities are to be closed and of making public addresses in which the necessity for the closing can be set forth.

The President informed the Cabinet that he deemed it necessary to lay up the USS WILLIAMSBURG because the cost of operating it is not in keeping with the Administration's position on economy.

Republican National Committee -- Governor Adams noted the forthcoming election of a new Chairman of the Republican National Committee and urged that Cabinet Members give sympathetic attention to the many problems he will have, particularly as they relate to their departments.

Critical Employment Areas -- Secretary Durkin suggested the possibility of locating any new government offices or facilities in the critical employment areas, and he called attention particularly to Lawrence, Massachusetts, where there is now 20% unemployment. He suggested the possibility of bringing influence to bear upon private industries as they open new plants, particularly in connection with services for the Government. Secretary Weeks cited a case in point where the Pratt Whitney Company seemed likely to locate a new plant in New Bedford rather than in Lawrence.

The Vice President suggested that pressure can be brought to bear on private concerns when the letting of Government contracts is involved.

Mr. Flemming noted that some plans already exist in this connection in regard to the dispersal of Government agencies, and he will prepare a memorandum on the status of these plans.

Conflict of Interest -- Secretary Wilson called attention to his need for a number of top assistants in the near future and the obstacle he has encountered in the conflict of interest statutes while trying to get the particular men he wants. He indicated that some controversy with Congress may result from his efforts to have exceptions made for these individuals.

Cabinet Meeting -- A meeting will be held next Friday, April 17th, with Vice President Nixon presiding in the absence of the President.

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The President

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, April 10, 1953

1. Congressional Hearings on Reciprocal Trade and the Simpson Bill. (The Secretary of State)

2. Political Activities by Departmental Employees. (The Secretary of State)

3. Political Relations with the Congress. (The Assistant to the President)

THE WHITE HOUSE
WASHINGTON

April 11, 1953.

THE ASSISTANT TO THE PRESIDENT

PERSONAL AND CONFIDENTIAL

Dear Mr. Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at yesterdays's Cabinet Meeting:

Reciprocal Trade - Prior to the opening of hearings on the Simpson bill the Department of State will arrange details for a meeting of representatives of interested departments and agencies to coordinate their position on issues, such as the restriction of imports of petroleum, zinc, and lead, which are likely to arouse the greatest controversy.

British Purchases - The Secretary of Defense will reject the set of bids now in hand in regard to purchasing certain generators and transformers. He will call for new bids on the basis of a clarification of specifications.

St. Lawrence Seaway - The Secretary of Interior was requested to prepare a memorandum concerning the power development at the International Rapids on the St. Lawrence, giving specific attention to a proposed expression of the Administration's attitude regarding the application for a power license by the State of New York.

It was repeated that the Administration would not at this time take a public position on the Wiley bill providing for a St. Lawrence Seaway.

Relations with Congress - As a means of strengthening the position of Republican Senators and Representatives in their constituencies, it was suggested that Cabinet Members inform the appropriate Members of Congress in advance concerning local actions planned for a particular State or Congressional District.

Republican National Committee - Cabinet Members were requested to give sympathetic attention to problems of the new Chairman should he request their assistance.

Cabinet Meeting - A meeting will be held next Friday, April 17th, with Vice President Nixon presiding in the absence of the President.

Sincerely,

Honorable Harold E. Stassen,

Director for Mutual Security.

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, April 17, 1953

1. The Administration position on the Simpson Bill. (The Acting Secretary of State)

2. Outside writing, lecturing, and speaking by Government employees. (The Secretary of Agriculture)

3. The 1954 elections. (The Vice President)

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By BHC NLE, Date 7-28-76

MINUTES OF THE CABINET MEETING

April 17, 1953

11:00 A.M. to 12:55 A.M.

The following were present:

Vice President Nixon

Under Secretary of State Smith	Director for Mutual Security Stassen
Secretary of Treasury Humphrey and Asst. Sec. H. Chapman Rose	Director of the Budget Dodge
Deputy Secretary of Defense Kyes	Chairman Young
Deputy Attorney General Rogers	Mr. Flemming
Postmaster General Summerfield	Mr. Shanley
Secretary of Interior McKay	General Persons
Secretary of Agriculture Benson	Mr. Jackson
Secretary of Commerce Weeks	Mr. Morgan
Secretary of Labor Durkin	Dr. Hauge
Secretary of Health, Education and Welfare Hobby	Mr. Hughes

In the absence of the President, the Vice President presided and opened the Cabinet Meeting with the customary moment of silent prayer.

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Reciprocal Trade - General Smith informed the Cabinet that the State Department had held a meeting of the people concerned with the Simpson Bill and that they were generally agreed that great trouble would result if extension of the Trade Agreements Act were opened up for discussions concerning lead, zinc, petroleum, and the many other items certain to follow. A two-page memorandum has been circulated for the guidance of all concerned.

Mr. Morgan reported on the discussions with Representative Simpson, who seems willing to cooperate in avoiding embarrassment both to himself and the Administration. It appears that he may be willing to have his provision concerning 'countervailing duty' taken up in connection with the Customs Simplification Bill, but he is reluctant to have the items concerning zinc, lead, and petroleum cut out of the present Simpson Bill. Mr. Morgan believed the Department of the Interior should carry the burden of testimony against these items should they come under discussion. The Vice President, Governor Stassen, and General Smith repeated their belief that discussion of these must be avoided.

General Smith, Mr. Morgan, and the Vice President discussed the proposals for the Bipartite Commission to study foreign trade policy. The Vice President and Mr. Flemming suggested that the Commission need not

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be divided evenly between the two parties as was the Hoover Commission, for present circumstances differ from those of 1947. The Vice President noted a tendency to place responsibility for the nomination of Senate representatives on the Commission in the hands of the President Pro Tempore rather than the Vice President, because of the feeling that the latter is too closely connected with the Administration. General Smith emphasized particularly the danger of improper selection of personnel for the Commission, but agreed with Governor Stassen that a proper Commission would be most helpful when the Act comes up in 1954.

The Vice President interpreted the discussion to the effect that the President should take the matter up with the Legislative Leaders at their next meeting to recommend the need for a Commission in return for a simple "one line" extension of the Trade Agreements Act at this time, and to inform the Legislators that he would recommend a method for choosing of Commission personnel. Also, the President should ask for postponement of the State Department testimony on the Simpson Bill now scheduled for April 22, in order that the Secretary of State himself rather than a subordinate could appear before the House Ways and Means Committee, if hearings remain necessary.

Governor Stassen emphasized that failure to extend the Act prior to June 30 would be a serious psychological blow to the President's program both here and abroad.

Mr. Morgan urged that no reference be made to any legislative conference agreement in testimony before the House Ways and Means Committee, for such agreements are not well received there.

Speaking Engagements, etc. - Secretary Benson discussed the memorandum he had presented to Governor Adams suggesting a uniform Administration policy concerning speaking engagements, outside writing, etc., by Government employees. Mr. Rogers noted that the Justice Department had a very strict rule against receiving payment for anything except expenses from outside of the Government. General Smith cautioned that different departments had different needs and that only a very general policy would seem possible. Governor Stassen urged avoidance of any policy which would tend to muzzle members of the Administration to the advantage of the opposition. Mrs. Hobby noted unfavorable press reaction if information is reserved for special articles by members of the Administration.

The Budget Bureau is to canvass the situation in the various departments with a view to recommending a general Administration policy.

The 1954 Elections - The Vice President reported a general feeling that the success of the Eisenhower Administration will depend on the 1954 elections, for present Democratic helpfulness is a tactic which would be quickly changed should the Republican majority disappear in 1954. He expressed his belief that the 1954 elections can be won or lost now, and that a good public relations program is the key to success. He suggested particularly that Cabinet Members could contribute

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most by concentrating their speaking engagements in critical districts.

Mr. Summerfield called attention to Senator Ferguson's need for help in Michigan because of the strong opposition Governor Williams can give him.

Governor Stassen asserted that the President's speech to the ASNE marked the emergence of Presidential leadership, and that the degree to which the Cabinet and Congress support this leadership will determine the outcome of 1954. Republican candidates in 1954 will be judged on the basis of the support given by all Republicans whether candidates or not.

In this connection, General Persons noted the current difficulties in regard to the extension of rent controls. Governor Stassen asserted that if the President's position were made clear on the floor of the House, many of the committee members would change their position. He cautioned against weakening the President's position in any negotiation with the committee. Mr. Flemming warned that the House may seize upon a technicality to hold hearings on the Senate omnibus bill (which contains rent control extension) and thus delay beyond April 30th.

Postal Rates - Mr. Summerfield outlined the efforts being made to reduce the Post Office budget and to operate that department on a businesslike basis. He presented for Cabinet consideration the proposals to increase postal rates on all classes of mail. The concensus of the Cabinet was that this should be done quickly, if it had to be done, but that it should be only a last resort to eliminate the Post Office deficit.

The Vice President urged caution and consultation with the Legislative Leaders because postal rate increases are an especially hot political issue. The saving may not be sufficient to justify the political disadvantage.

Mr. Summerfield also proposed that each department assume the cost of its own postal service in order to help his department balance its own budget. Most of the Cabinet expressed approval and no objections were made.

Mr. Summerfield pointed to tax reductions as a necessary item for victory in 1954 and he tied in the increased postal rate with the budget balancing necessary for tax reduction.

Mr. Dodge pointed to the difficulty of making budget reductions stick when they infringe upon the local interests of particular Congressmen. He noted especially the Department of Health, Education and Welfare, the Veterans Administration, and public works projects as areas where Congress would not let reductions stand.

The Vice President believed that local issues are over-rated in local elections and that elections are decided rather upon the basis of one or two major issues -- in this case, Presidential leadership and Congressional support for it.

The Vice President brought the meeting to a close by commenting on the need for patience and for concentrating upon long-run essentials.

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General Persons

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, April 24, 1953

1. The Hells Canyon project. (The Secretary of the Interior)

2. The St. Lawrence Seaway. (The Assistant to the President)

3. Departmental representatives at Congressional hearings. (The Vice President)

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MINUTES OF CABINET MEETING

April 24, 1953

10:00 A. M. to 11:45 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Gen. Smith, Acting Secretary of State
Mr. Folsom, Under Secretary of Treasury
Mr. Kyes, Acting Secretary of Defense
Attorney General Brownell
Mr. Hook, Deputy Postmaster General
Secretary of Interior McKay, and
  Under Secretary Ralph A. Tudor
  during discussion of Item 1.
Secretary Benson
Secretary Durkin
Secretary Weeks
Secretary Hobby

Deputy Director for Mutual
  Security William M. Rand
Mr. Dodge
Chairman Young
Mr. Flemming
Ambassador Lodge
Governor Adams
Mr. C. D. Jackson
Mr. Shanley
Mr. Cutler
General Persons
Mr. Morgan

The President opened the discussion by calling attention to the controversy aroused over the closing of the Navy's Sand Point Air Base. He indicated that he had to give attention to appeals from verdicts such as this, but that such attention should not be construed as lack of confidence in Administration officials. He noted the necessity for delicate handling when facilities are closed.

The President noted newspaper comments concerning failure of certain new appointees to act in accordance with supposed Administration policy. He said he had complete assurance about the trade philosophy of one of the people concerned, but he suggested that the Cabinet give full attention to obtaining the views and general philosophy of potential appointees in regard to matters with which they will be concerned, in order to avoid basic conflicts with the Administration's middle-of-the-road philosophy.

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Hell's Canyon Dam - Secretary McKay reviewed the controversy over the Hell's Canyon Dam and the need for action by Interior in connection with the Idaho Power Company's application for a license to build the Oxbow Dam. He stated that the Interior Department would merely present factual information concerning the case while making it plain to the Federal Power Commission that the decision rested with the Commission. Secretary McKay said that his personal belief, based upon information recently given him concerning the economics of the project, was that the dam could not be constructed for many years and that the Idaho Power Company could satisfactorily fulfill present needs. Mr. Dodge commented that the Idaho Power Company could sell electricity after paying taxes at a cost only slightly above that estimated for the Hell's Canyon project, on which taxes would not be paid. Mr. McKay presented the question to the Cabinet because of the heavy criticism expected to fall upon his action.

Mr. Brownell suggested and it was agreed that the support of the Western Governors be enlisted if possible at the time of their conference in Washington, May 4-5.

St. Lawrence Seaway - Governor Adams read the President's letter to Senator Wiley, reporting the outcome of the NSC discussions on the Seaway. He pointed to the need remaining for the Cabinet to determine the extent of limitations upon United States participation in the Seaway.

Secretary Weeks set forth the arguments against the Seaway based upon the transportation interests of the nation, and he pointed to the indefinite cost estimates involved.

The President noted the great variations in estimates resulting from varying assumptions, and he expressed his hope that the discussion could be brought to bear upon a single program rather than ranging over all the ultimate possibilities.

The President referred several times to the apparent agreement in the Cabinet that New York State was at liberty to make power developments on the St. Lawrence and Niagara Rivers. No objection was made to this interpretation of Cabinet opinion.

Mr. Kyes presented arguments for the Seaway concerning the desirability of opening up French Canada and also the eventual advantages of being able to substitute Labrador ore for Mesabi ore when necessary.

Congressional Hearings - The Vice President called attention to personality conflicts at Congressional hearings which resulted from continued appearance of members of the preceding Administration. He suggested that if possible effort be made to have testimony presented by members of the "new team". If a "hold-over" must testify, the Committee Chairman should be informed in advance.

Mr. Flemming urged that career civil servants not be required to testify before Congressional Committees but rather that they participate in hearings only as advisers to a "political" appointee who represents the department.

Personnel - A discussion of the need for more extensive personnel changes was featured by the remarks of the Vice President and Mr. Kyes to the effect that the country as a whole, despite the Eastern

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newspapers, desired more rapid and effective action. General Persons pointed to the influence of personnel directors who were able to arrange for transfers for certain personnel from one agency to another indefinitely.

Foreign Policy speech - Mr. Jackson reported on the enthusiastic reception given the President's address to the ASNE both here and abroad. He suggested that a new situation in the world has resulted from that speech. He outlined plans for following up the address in both word and deed.

(Mr. McKay left the meeting at this point.)

Employee Security Program - Mr. Brownell indicated that the new security program would probably be announced next week and he urged Cabinet Members to familiarize themselves with its provisions in advance. He emphasized that abuse of the program as a means of eliminating incompetent personnel would destroy the program's effectiveness.

General Persons suggested that the program be coordinated with the Congressional leaders next Monday. The Vice President noted particularly that Senator McCarthy and Congressman Velde should be informed in advance.

Public Information - The President reported the criticism of the press concerning the so-called "censorship" order issued by President Truman, and he requested Mr. Brownell to give him a report of the status of the matter. Mrs. Hobby noted the psychological nature of the controversy and suggested that action by the President would be beneficial no matter what the actual content of the existing order.

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THE WHITE HOUSE
WASHINGTON

AGENDA FOR CABINET MEETING

Friday, May 1, 1953

1. Coordination of testimony on extension of the Reciprocal Trade Agreements Act. (The Secretary of State)

2. The Administration tax program. (The Secretary of the Treasury)

3. Status of the Civil Defense program. (The Federal Civil Defense Administrator)

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MINUTES OF CABINET MEETING

May 1, 1953

10:00 A. M. to 12:10 P. M.

The following were present:

The President

Vice President Nixon
Mr. Dulles
Mr. Humphrey and his
  Under Secretary, Mr. Folsom.
Mr. Kyes (for the Secretary of
  Defense)
Mr. Brownell
Mr. Summerfield
Mr. McKay
Mr. Benson
Mr. Weeks
Mr. Durkin
Mrs. Hobby

Mr. Dodge
Mr. Flemming
Gov. Stassen
Amb. Lodge
Mr. Young
Gov. Peterson
Gov. Adams
Mr. Cutler
Gen. Persons
Mr. Shanley
Mr. Morgan
Dr. Hauge
Mr. Hughes

The President expressed his hope that all the Cabinet Members would be present at the meeting on May 8 in order to have a formal picture of the Cabinet taken, and to hear Leonard Hall make a presentation of patronage matters.

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Reciprocal Trade - Secretary Dulles indicated that the Administration would testify on Reciprocal Trade during the coming week. (This concerns both the Simpson Bill and the President's recommendation for a one line extension, as the result of an agreement with Representative Simpson to break his bill into two parts.) Mr.Dulles indicated that agreement had been reached except on the questions of lead, zinc, and oil.

Secretary Weeks pointed to the present low price for lead which threatens to close down many mines in the United States. He believed it uneconomic to allow them to close and he set forth the mine owners' request to have the tariff raised sufficiently to raise the price of lead four cents. Secretary Humphrey stated that the situation is temporary because the British had over-bought in past months and were now trying to sell their surplus. Governor Stassen said that both lead and zinc are priced too low on the basis of any sound analysis and that MSA is trying to take up some of the slack as a means of easing the pressure for higher

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tariffs. Secretary Weeks again pointed to the need for keeping United States mines open as a matter of national defense. The President stated that defense interests work both ways because higher tariffs would allow the continuation of marginal production for which the Defense Department would have to continue to pay through the years. Mr. Kyes asserted that these mines are operated on a feast or famine basis and that the operators should bear the burden now as a balance to the exceedingly prosperous times they have had in the past and will undoubtedly have again in the future.

The President suggested that increased stockpiling was a possible solution, but he and Mr. Humphrey agreed that stockpiling should not be used to "play the market" because of the demoralizing effect on private industry. They agreed that stockpiling should be used only to protect the Government against shortages and high prices which would result from Government activities and needs.

It was agreed that Administration witnesses would present the case for a simple one line extension and that interested agencies would confer to discuss possible alternative solutions for the lead situation, such as the suggestion to the Ways and Means Committee that the Tariff Commission be asked to review the existing situation in respect to lead with a view to use of the escape clause for any necessary revision of this tariff.

Mr. Weeks suggested that the President urge the Tariff Commission to give priority to any study on the lead situation. Mr. Dulles urged that Congress make any such suggestion, and the matter was dropped.

A brief discussion of the pressure for limiting the importation of crude oil resulted in agreement that the Administration should hold the line against such a provision in the Trade Agreements Act.

Messrs. Dulles and Stassen pointed to the adverse effect of import restrictions and tariffs on countries which depend on a particular item such as lead for a major part of their revenues.

The President suggested for later consideration that authority be secured for removing specific tariffs entirely when they have been reduced under the Trade Agreements Act to a point where collection costs exceed the revenue.

Tax Program - Mr. Humphrey, assisted by Mr. Folsom, presented at length the considerations involved in drawing up a tax program for the coming years. He indicated that final recommendations would depend upon further investigation as to possible budget reductions and also upon reductions made by Congress, but he wished consideration in advance of alternative courses of action to depend upon the situation as it develops.

The President recalled that he had never promised a tax reduction until the budget could be balanced, and he restated his conviction that an earlier tax reduction would bring additional inflation and thus be self-defeating. He requested Mr. Humphrey to keep in touch with Mr. Burns in order to coordinate the latter's views in studies on purchasing power

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with the planning of tax programs.

The Cabinet then discussed the various possibilities of presenting the budgetary and tax situation to the people. A committee is to pull together the many complex considerations, facts, and figures involved.

Civil Defense - Governor Peterson called the attention of Cabinet members to their individual responsibilities for continued advance planning of departmental actions in event of attack on the United States. He urged greater cooperation by Federal departments and agencies with State governments, particularly by the field offices of the departments.

The Civil Defense Administration will make presentations on this subject at the request of individual department heads.

The President commented that the most important matter in developing the civil defense program is that the public must learn to discipline itself. Shelters, etc., are secondary as he learned from experience in Britain.

Governor Peterson called attention to a related matter concerning disaster relief in Georgia as a result of recent tornadoes. He pointed to the tendency of the States to rely upon Federal help rather than helping themselves and he indicated his desire to discourage this tendency. The President stated his own desire that the practice of self-help through the Red Cross, local action, etc., not be abandoned.

Mr. Kyes commented on the belief that the Lincoln and East River projects were the solution to civil defense problems, and he warned that technical bugs still existed which would keep those programs from being workable for several years.

Federal Research Activities - The President called attention to a request he received for enlarging the Federal dental research program. He indicated that he had doubts about the Federal Government assuming too much of the burden of research and he hoped that there would be an appropriate means of studying a question such as this. Mr. Dodge suggested that this specific item could be referred to the National Science Foundation which has the responsibility for such matters. The President indicated the need in a larger field for determining Federal responsibilities, in addition to the proposed activities of the Federal-State Commission.

Program Review - Secretary Humphrey suggested in connection with the reduction of expenditures that each Cabinet Member make an early study of what legislative action would be required to alter the programs of their departments in order to allow proper fulfillment of the justified functions of the departments. Mrs. Hobby indicated the difficulty she has had in securing Congressional approval for functional changes she has proposed.

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THE WHITE HOUSE
WASHINGTON

May 1, 1953.

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THE ASSISTANT TO THE PRESIDENT

PERSONAL AND CONFIDENTIAL

Dear Mr. Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet Meeting:

Reciprocal Trade - In connection with Administration testimony on extension of the Reciprocal Trade Agreements Act, it was agreed that Administration witnesses would present the case for a simple one line extension.

The State Department will arrange a conference of representatives from Commerce, MSA and ODM to discuss possible alternative solutions for the lead situation, such as a suggestion to the Ways and Means Committee that the Tariff Commission be asked to review the existing situation in respect to lead with a view to use of the escape clause for any necessary revision of this tariff.

Program Review - Secretary Humphrey suggested in connection with the reduction of expenditures that each Cabinet Member make an early study of what legislative action would be required to alter the programs of their departments in order to allow proper fulfillment of the justified functions of the departments.

Civil Defense - Governor Peterson called the attention of Cabinet Members to their individual responsibilities for continued advance planning of departmental actions in event of attack on the United States. He urged greater cooperation by Federal departments and agencies with State governments, particularly by the field offices of the departments.

The Civil Defense Administration will make presentations on this subject at the request of individual department heads.

Sincerely,

Honorable Harold E. Stassen,

Director for Mutual Security.

General Persons

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, May 8, 1953

Publicity -

✓ 1. The St. Lawrence Seaway. (The Secretary of Commerce)

2. The Fallbrook Public Utility District Case. (The Attorney (General)

3. Mobilization Readiness Policies. (The Director of Defense (Mobilization)

4. The Mutual Security Program. (The Director for Mutual (Security)

5. Patronage Problems. (The Chairman of the Republican (National Committee)

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MINUTES OF CABINET MEETING

May 8, 1953

10:20 A. M. to 12:05 P. M.

The following were present:

President Eisenhower

Vice President Nixon
Mr. Dulles
Mr. Wilson
Mr. Humphrey
Mr. Brownell
Mr. Summerfield
Mr. McKay
Mr. Benson
Mr. Weeks and Mr. Williams
Mr. Durkin
Mrs. Hobby
Secretary of the Army
  Stevens
Secretary of the Navy
  Anderson
Secretary of the Air Force
  Talbott

Mr. Dodge
Gov. Stassen
Mr. Young
Mr. Leonard Hall
Ambassador Lodge
Gov. Adams
Mr. Hagerty
Mr. Shanley
Mr. Cutler
Gen. Persons
Mr. Jackson
Mr. Hughes

Prior to opening the meeting, photographs were made of the Cabinet, not including members of the White House staff except Governor Adams, and not including the Service Secretaries or others who do not customarily attend. The President recalled the photographers for a second set of photographs, which included the White House staff members and the visitors for today's Cabinet Meeting.

The meeting was opened with the customary moment of silent prayer at 10:20 o'clock.

As the first item of business, the President directed Mr. Leonard Hall to use his influence to minimize demands by Congress on the time of department heads.

Patronage Problems - Mr. Hall made a lengthy presentation of the need for strengthening the organization of the Republican Party in order to insure success in the 1954 elections. He suggested that certain appointments and administrative actions be directed specifically toward bringing success in critical election districts, particularly by attention to ethnic groups.

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He indicated the difficulty of transferring Presidential popularity to Party candidates in a mid-term election, especially when it appeared that the President would not extensively participate in the campaign.

Mr. Hall emphasized the use of patronage as a means of strengthening the Party organization and that it could be done without reducing the standards for personnel selected. He pointed particularly to the potential use of Schedule C which would be effective provided hold-overs were removed from key positions of personnel administration. He suggested an alternative of having a representative of the Civil Service Commission work up lists of positions which should be in Schedule C.

Chairman Hall will meet with Cabinet Members individually to discuss specific means of cooperation for strengthening Republican organization. The President requested Cabinet Members to keep Mr. Hall informed of personnel developments in their departments. It was also requested that each Cabinet Member designate a representative who will serve as a point of contact with Mr. Hall.

(Secretaries Wilson, Stevens, Anderson, Talbott, and Chairman Hall left the meeting at this point.)

St. Lawrence Seaway - Secretary Weeks presented the report of the subcommittee, composed of representatives of the Departments of State, Interior, Commerce and Defense. This report recommended unanimously that the Administration participate in development of the Seaway up to and including the Welland Canal. This recommendation was based upon the assumptions that

(a) Satisfactory arrangements for power development will be made;

(b) Canada will carry its share; and

(c) The project will be self-liquidating.

The Cabinet approved this recommendation and Governor Adams will so inform appropriate Congressional leaders.

Secretary Weeks warned that the Administration can expect in the near future to be subjected to pressure for additional participation to develop the harbors and channels in the Great Lakes area.

Mr. Williams pointed out that the subcommittee had carefully considered all the objections, including those voiced by labor representatives, which had been made against the Seaway.

The President stated that Canadian officials feared extensive litigation over the forthcoming FPC ruling on St. Lawrence power development, which will hold up the development of the Seaway several years. Mr. Brownell stated such litigation can be expected but it probably will not delay construction.

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Governor Adams suggested that legislation authorizing the power development would be desirable to overcome possible delay by the FPC. Mr. Brownell commented that legislation probably would be more time-consuming.

Niagara River Power Development - Secretary McKay indicated that the Interior Department has been called upon to testify concerning the Miller Bill which would authorize power development on the Niagara River by five private companies. The President expressed his firm belief that the Administration should not become involved in the determination of whether this or similar developments should be carried on by the State or by private interests. The Cabinet so agreed.

(Mr. Williams left the meeting at this point.)

Mutual Security Program - Governor Stassen presented a series of charts showing the proposed use of Mutual Security funds during the coming year, and also the effectiveness of the program in the past in increasing Europe's ability to help itself. At the request of the Vice President, Governor Stassen will have these charts reproduced and distributed to Cabinet Members.

The President called attention to a letter he had received from Greek officials showing the readiness of Greece to undertake and accomplish additional projects in support of the Western defense effort. He suggested that this letter could be used in convincing Members of Congress of the importance of the MS program. Secretary Dulles indicated that he had also received a letter from Greek officials requesting another $100 million assistance.

The Fallbrook Public Utility District Case - Mr. Brownell called attention to a legislative rider which would prevent use of Department of Justice funds in defending the Federal Government's interests in this case. He stated that he would have to take the position that he was constitutionally obligated to defend the Federal Government's interests and that he would, if necessary, find means of doing so with other funds, even his own.

The Vice President outlined the history of this case to the effect that the rider had been inspired by the tendency of the Department of Justice in the past to assert that Federal rights were paramount rather than equal with the rights of the State Governments and private individuals.

The President expressed his belief that such a rider was illegal because it put the Justice Department in an intolerable position. He noted also the possibility of exceptional cases where national security would dictate the paramountcy of Federal rights.

It was agreed that the Attorney General would discuss with Senators Knowland, Kuchel, and McCarran the possibility of eliminating the legislative rider.

Bricker Amendment - General Persons and Mr. Brownell reported on the present status of the Bricker Amendment which has

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been reported out by the Senate Judiciary subcommittee without recommendation, and will now be taken up by the full Committee. The Vice President indicated that the bill would never reach the floor of the Senate because it would open up an impossibly long debate.

Secretary Dulles commented that Senator Bricker has become still more emotional about the matter as shown by his attack on General Smith and Mr. Phleger on the floor of the Senate. Mr. Dulles expressed his hope that the resolution never be allowed to bring on a full scale debate in the Senate. The Cabinet discussed the possibility of securing the assistance of a majority of the Judiciary Committee, and Mr. Brownell will continue his efforts to do so.

Personnel "Riders" - Mr. Brownell commented on the action of the House in striking out from the Appropriations Bill for State, Justice and Commerce the riders which would provide unlimited authority for dismissing personnel. Mr. Brownell indicated that he had no interest in having the benefit of such a rider. Mr. Dulles pointed to the usefulness of such authority in certain cases. The President suggested that such riders, if misused, would defeat the entire purpose of Civil Service and that the Administration should attempt to operate under the customary regulations. He did not believe the Administration should have arbitrary power to fire employees. Mr. Flemming and Mr. Young believed the Administration would incur much opposition from veterans organizations if it sought to regain these riders.

It was agreed that the Administration should not request reinstatement of the riders.

Mobilization Readiness Policies - Mr. Flemming presented for Cabinet consideration a two-page statement to be used, if approved, as the basis for setting up mobilization policy. The President pointed to the long-term importance of this statement and requested Cabinet Members to have it carefully studied and to furnish Mr. Flemming with any comments or suggestions they may have before the statement is accepted.

Reciprocal Trade - General Persons commented on the status of the Reciprocal Trade legislation and indicated that the Administration would probably secure the one year extension of the Act, that another member would be added to the Tariff Commission, and that the Commission for studying trade and tariff problems would probably be established on a basis of seven members appointed by the President, five members appointed by the Vice President, and five by the Speaker.

Federal-State Commission - Governor Adams reported on the Governors' Conference at the White House on May 4 and 5. He invited Cabinet Members to give him their suggestions as to the composition of the public membership of the proposed Commission. Legislation establishing this Commission is expected soon.

Reorganization Plan - Secretary Benson stated that a movement is underway at the Capitol by the Democrats to fight the Agriculture Reorganization Plan on the basis that the Secretary of Agriculture should not have unlimited authority to carry on reorganization within the department unless a terminal date for such authority is established. Mr. Dodge commented that such a move would affect all the reorganization plans which contain such a provision. It was agreed that the Administration would oppose such a movement but no specific details were worked out at this time.

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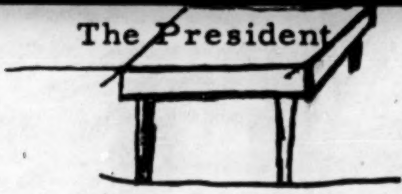
The President



THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, May 22, 1953

1. Report of Cabinet Committee on Lead and Zinc Situation.
   (The Acting Secretary of State)

2. Reciprocity of Information between the Departments.
   (The Secretary of Commerce)

3. Fiscal Policy.
   (The Secretary of the Treasury)

4. Report on Discussions with the Chairman of the Republican National Committee.
   (The Assistant to the President)

5. Campaign to Sell Economic Stability.
   (The President)

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By vbc NLE, Date 11/20/78

MINUTES OF CABINET MEETING

May 22, 1953

10:00 A. M. to 12:25 P. M.

The following were present:

President Eisenhower

Vice President Nixon
Under Secretary Lourie
(For Mr. Dulles)
Secretary Wilson
Secretary Humphrey
Attorney General Brownell
Postmaster General Summerfield
Secretary McKay
Secretary Benson
Secretary Weeks
Under Secretary Mashburn
(For Mr. Durkin)
Secretary Hobby
Deputy Director Wm. Rand
(For Mr. Stassen)
Mr. Dodge
Mr. Flemming
Ambassador Lodge
Chairman Young
Gov. Adams
Mr. Shanley
Gen. Persons
Mr. C. D. Jackson
Mr. Cutler
Mr. Hughes
Mr. Hauge

The President recommended for the Cabinet's interest and enjoyment a new movie he had just seen - "The Life of Luther". He recognized that some religious people might think it controversial but thought that the merits of the movie were such as to make criticism on a religious partisanship basis unjustified.

- - - -

Lead and Zinc Situation - The Cabinet approved the recommendations presented by the Cabinet subcommittee in the memorandum concerning relief of lead and zinc producers, except that the unobligated balance of the zinc stockpile will continue to be reserved for possible purchases under the Defense Materials Procurement Agency expansion program.

Mr. Flemming will prepare for the next Cabinet meeting a brief presentation of the Government's contingent liabilities resulting from certain "floor contracts" for buying materials.

The President queried the nature of these "floor contracts" and expressed his disapproval of the fact that they had been made to operate at a high price level. Such a policy, he believed, controverted the essential function of stockpiling to buy at low prices in order to have stocks on hand when they became scarce and prices were high. He characterized the procedure as one which benefited everybody concerned except the Government, which paid the bill. Mr. Wilson commented on the inadvisability of increasing tariffs since that would be lasting policy which would increase costs for the Government more than it would enhance the value of the stockpile or protect the

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interests of the Government so far as the "floor contracts" were concerned.

Both Mr. Humphrey and Mr. Flemming believed the cessation of British selling would stabilize the market and eliminate any need for action by the Tariff Commission.

Emphasis was placed on the need for action on this subject as a means of offsetting amendment or defeat of the legislation to extend the Reciprocal Trade Agreements Act. Ambassador Lodge commented that continuation of this Act depended upon reaching agreement with American protected industries on a quid pro quo basis. He believed extensive study should be made to find suitable bargaining areas.

The President stated his philosophy in Reciprocal Trade -- that our policy should be flexible to allow for adjustments to variations in economic conditions in the United States. In periods of full employment at home, the United States ought to do all it could to help its Allies by foreign purchases. He again emphasized that this should be done on the basis of enlightened self-interest rather than any doctrinaire approach of free trade or protectionism.

Foreign Purchases - With the understanding that this action did not constitute approval for a fixed percentage differential to be applied in all such cases, the Cabinet agreed to Secretary Wilson's proposal to use -- without any publicity -- a 5% differential as a basis for awarding contracts for the McNary Dam electrical equipment.

Secretary Wilson proposed to base his decision to use a 5% differential on the difference in tariffs levied by the British (20%) and the United States (15%) on electrical equipment. The Cabinet disagreed with this proposal on the grounds that it would prove unworkable when applied in other cases. The President commented that the interest of the United States is to buy economically without regard to the tariffs of other countries and the price of the goods in those other countries.

The President and Mr. Humphrey commented that the differential was justified on the basis that there are certain advantages in buying at home but that each case must be judged on its merits.

Personnel Policies - In regard to criticisms of Administration personnel policies, emphasis was placed on the need for securing specific case information and thus avoiding generalities on which no action is feasible.

Congressional Relations - It was urged again that appropriate Members of Congress be informed in advance of public announcement of any decisions to curtail or shut down Government facilities.

Publicizing of Administration Policies - Mr. Hagerty was assigned the responsibility of arranging and coordinating measures for the dissemination of information to people and areas not reached satisfactorily by the customary news media.

Mr. Hagerty was also assigned the responsibility of

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monitoring an exchange of information among the Departments.

The Vice President noted the interest of many Congressmen in having for dissemination copies of public addresses made by Cabinet Members, and other such informative material.

In connection with subsequent discussion of fiscal policies the President suggested the desirability of a "sales" program which would keep the country informed in regard to economic developments and thus prevent any compounding of economic difficulties by virtue of misinformation and misapprehensions. The President believed the Department of Commerce, particularly Walter Williams, could work closely with Arthur Burns and the Economic Council in this respect. Secretary Weeks indicated that such action was already under way.

Fiscal Policy - Secretary Humphrey presented a chart entitled "The Budget Outlook" and commented on the major fight which looms in order to get the Administration tax program adopted by Congress. He asserted that the only justification for this tax program is that substantial reductions of expenditures have already been made, and more can be made during the coming year. He pointed to continuing budgetary deficits in future years unless major revisions of [redacted] program are undertaken. He urged that the Administration set a target of a $60 billion budget for 1955, and that a major effort be made to find possible means of accomplishing that almost impossible goal. Such drastic action would be necessary if the Administration is to make possible a Republican tax reduction in 1954.

The President commented on the near impossibility of major reductions in the budget in the face of the psychology of the country which insists on maintaining the great obligations contracted in bygone times of peace, and also approves huge defense expenditures. He noted the fact that Secretary Wilson is already in the position of having to defend what he isn't spending rather than what he is.

The President also commented on the contradiction between the basic Republican philosophy of a free economy and the continuing demands for heavy subsidies through veterans programs, farm programs, and other grants-in-aid.

Secretary Humphrey indicated that the irregularities of expenditures and receipts will take the Federal debt momentarily very close to the $275 billion limitation.

The President expressed his belief that the Administration must be honest with the country and can obtain support by doing so. He believed the public will recognize that national security must not be endangered merely for the sake of balanced budgets, and that more than one year may be required to effect a balance.

Secretary Benson raised the possibility of obtaining legislation from Congress to alter farm price support programs earlier than scheduled in view of increasing support which he sees throughout the country for such changes. He suggested particularly dropping the dairy price supports from 90% to 75% of parity. Mr. Humphrey recommended that the Administration must take the problem as a whole rather

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than piecemeal, and that Secretary Benson's suggestion would best be postponed.

The President concluded that this discussion indicated the need for brief presentations at the next Cabinet Meeting of broad national security problems and also progress and conditions of the Korean armistice talks.

Offshore Procurement - Secretary Wilson indicated his desire to clarify policy in regard to offshore procurement in order that the Defense Department purchases could be made most economically. He was advised to take up the matter first with the Director of Mutual Security.

Consumer Credit Controls - Secretaries Wilson and Humphrey called attention to the dangerous expansion of consumer credit, and suggested the need for restrictive action by the Administration. Mr. Flemming noted that Senate action on the Defense Production Act does not authorize consumer credit control except in extreme emergency. It was agreed that the subject should be presented by Mr. Flemming at the next Legislative Conference.

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Document No. 1

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MAY 19 1953

1.

MEMORANDUM FOR THE PRESIDENT

Subject: Recommended Action for Relief of Lead and Zinc Producers

At the Cabinet meeting on May 1, the Department of State was instructed to work out inter-agency recommendations on an action program for lead and zinc. The substance of the following recommendations has been agreed to by the Departments of the Interior, Commerce and Labor, the Mutual Security Agency and the Office of Defense Mobilization. Solutions which involve serious interference with normal trade were rejected. Recommendations involving long-term solutions or protracted negotiations have been avoided. Among the reasons motivating some of the agencies are: the belief that some adjustment in production is inevitable and that market forces should be permitted to accomplish this; that the extent of this adjustment will be eased by some improvement in demand and reduction of excessive stocks; and that by some time in 1954 supply and demand will be roughly in balance. Most agencies objected to solutions involving a transfer of the entire burden of adjustment to foreign producers. No recommendations are made with respect to the presently unemployed miners in isolated communities, a problem which the Department of Labor is investigating further.

Annex A presents some discussion of the positive recommendations and of some alternative courses of action that were rejected. Annexes B and C present brief analyses of the origin and magnitude of the problem for zinc and lead respectively.

Actions Recommended

1. British Stocks. We should continue to press the British either to immobilize their zinc stocks in their strategic stockpile, to announce the continuation after mid-year of their present policy of selling not more than

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4,000 tons a month, or a combination of these. If the British should refuse to give such assurances, the State Department should explore ways of obtaining their co-operation; for example, a United States stockpile purchase of copper held by the British or under contract to them.

2. Escape Clause Action. The Administration should not initiate escape clause action by the Tariff Commission at this time. If action is instituted by the producers, the Administration should try to speed up the procedures.

3. Stockpile Purchases. The Emergency Procurement Service should refrain from further purchases of British Government stocks, which we hope will be immobilized by British action. With any remaining purchasing power within the zinc and lead stockpile objectives, the EPS should buy lead and zinc that would otherwise come on the American market. This recommendation would require reversal of recent instructions by the Office of Defense Mobilization that the unobligated balance of the zinc stockpile be reserved for possible purchases under the Defense Materials Procurement Agency expansion program. The ODM has not participated in this recommendation, but agrees that it should be considered. The ODM should also proceed rapidly with its examination into the present criteria for determining stockpile objectives so early advantage can be taken of any increase in the stockpile objectives required for security reasons.

Actions Not Recommended

In addition to the actions recommended above, the inter-agency group considered and rejected a number of other courses: an increase in the stockpile objective; the financing of a NATO stockpile; an international buffer stock or quota agreement; a domestic buffer stock; and an effort to get exporting countries to curtail their exports. These are discussed further in Annex A.

WALTER B. SMITH

ACTING SECRETARY

Enclosures:

Annexes A, B and C

Dwight D. Eisenhower: Papers as President of the United States, 1953-61 (Ann Whitman File)
Cabinet Series
Box 2, May 22, 1977

NLE MR Case No.

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Document No. 2

Annex A

Discussion of Recommendations and Alternatives with respect to Lead and Zinc

The following discussion of the agreed recommendations and alternatives is based on inter-agency discussion, but does not in all cases represent the unanimous view of the agencies concerned.

Actions Recommended

1. British Stocks. There is reason to believe that the British may agree to unilateral action to immobilize their zinc stocks. The government-owned lead stocks have been liquidated and present no problem from this point of view. Partly as a result of earlier representations by the United States, the British Government announced some time ago that it would limit zinc sales to 4,000 tons per month until June 30. The State Department has been pressing for some additional assurance concerning the 103,000 tons which it is estimated the British Government will still hold on that date. Last week, the British Government announced that it would continue the gradual liquidation policy after the middle of the year, but has given no assurance as to how long that would continue. The State Department has now pressed for more drastic action, namely the complete immobilization of stocks, and a reply from the British Government is now awaited. If this effort is unproductive, the State Department should explore the possibility of action in the stockpiling field within our present stockpile objectives that the British would consider sufficient to compensate them for freezing their remaining zinc stocks. For example, the United States might offer to take some copper for the stockpile. This is purely illustrative. It would be necessary to determine whether the British are worried by their copper position and whether use of available stockpile funds for copper is justified in the light of other stockpile requirements.

2. Escape Clause Action. The Administration should not initiate escape clause action at this time. To do so might reduce the freedom of action of the Tariff Commission in considering the facts and the President's freedom in making the final decision. Furthermore, if the industry considers itself injured, there is no reason why it should not initiate escape clause action. On the other hand, it would be consistent with the position taken by Administration witnesses before the Ways and Means Committee that it lend every facility to speeding a decision if action is instituted by the companies.

3. Stockpile

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3. Stockpile Purchases. There is no unfilled stockpile objective for lead, and the remaining unfilled stockpile objective for zinc is small, amounting to only 21,000 tons. There are substantial contingent obligations in DMPA contracts for lead and zinc. If the market prices of lead and zinc are not substantially increased, the Government will be faced with the later necessity for accepting a loss in the liquidation of those obligations.

Some recent purchases of zinc for the stockpile have been made out of the British Government stocks. These purchases have simply enabled the British to liquidate their stock more rapidly than their announced policy of 4,000 tons a month. It is recommended that further purchases within the outstanding authority be limited to metal that would otherwise reach the market at the present time.

Mr. Flemming has recently decided, after DMB discussions, that the remaining purchase authority for zinc be reserved for use in connection with the contingent obligations. However, the inter-agency group suggests that the Cabinet may wish to reconsider this decision in the light of the current weakness of the zinc market.

The Office of Defense Mobilization is conducting an examination of the criteria used in establishing present stockpile objectives. One question under consideration is whether adequate allowance has been made in the present objectives for the essential requirements of our allies and friendly countries in a future emergency. Without prejudging the result of this inquiry, we suggest that it be pressed forward as rapidly as possible. Clearly, if the decision should later be reached that our security requires a larger stockpile of lead and zinc than the current objective, it would be most desirable to fill as much as possible of the increased objective at present prices.

Actions Not Recommended

A number of other possible lines of action were considered and discussed with the other agencies, but are not recommended.

Increased Stockpile Objective. A number of the higher-cost lead and zinc mines here and abroad have been brought into production as the result of United States Government urging. This has been advanced as a reason

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for supporting the market through stockpile purchases. It has also been argued that national security depends not only on the amount held in stockpile but on the level of production available to the United States in case of war, and that the stockpile objective should be increased to permit purchases to support the market temporarily until the present excessive stocks are worked off. The Defense Mobilization Board, however, has recently considered and rejected this argument for an increased stockpile objective.

The group does not recommend an increased stockpile unless as the result of an over-all decision revising the criteria for determining stockpile objectives. It does not recommend isolated action for lead and zinc that would set a precedent for the use of the stockpile as an instrument of market support.

NATO Stockpiling. A committee of NATO has begun consideration of ways and means for coordinating action among NATO countries in creation of strategic stockpiles in Europe. Many problems remain to be considered and resolved, including: the amounts required, the method and rate of accumulation, the location of the stock or stocks, and the financing. The United States could speed up the process if it were to offer to pay for the material. However, even if this were practicable in the case of lead and zinc, it would prejudice the decision for other commodities where an equitable sharing of the burden is desirable. NATO stockpile purchases hold little hope for an early enough solution to serve the present purpose.

An International Agreement. If there were plenty of time, a solution might be worked out by international agreement that would have the advantage of spreading the burden of a cut-back in production among the producing countries. Such an agreement might involve: an internationally controlled and financed buffer stock, limitation of production (or exports) by agreed quotas, or a combination of these. This has been rejected on several grounds. Experience has shown that such negotiations are long and arduous and only rarely fruitful. They would promise no quick solution. A decision to interfere with the free flow of trade would be unjustified where the problem is of short duration. Important segments of the domestic industry have gone on record as being strongly opposed to international buffer stocks. If the agreement included production quotas, it would require a domestic interference with output that producers would consider worse than the disease.

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A Domestic Buffer Stock. Some of the objections to an international buffer stock would be inapplicable to a United States financed and operated stock. Certainly it could be worked out more quickly. This too, however, would probably require legislation and appropriations, as it is doubtful if the use of Defense Production Act funds could be justified where the purchases are not made in anticipation of a requirement for defense production. Furthermore, one of the principal objections of domestic producers, their fear of a stock overhanging the market, would remain. This objection argues against any effort by the United States Government to solve the problem by current purchases unless it is prepared to freeze those purchases in the strategic stockpile.

Action by Exporting Countries. The group also considered the possibility of undertaking discussions with other countries in order to persuade them to reduce their exports to the United States. This was rejected on several counts. So long as the law provides a procedure for determining whether increased protection should be afforded, and provides safeguards to both producers and consumers, action by the Administration to circumvent that procedure would deprive consumers of their rights. Furthermore, the United States is opposed to the establishment by other countries of discriminatory export quotas on products we need. If we advocate them for our own convenience, we may encourage their use in other cases, to our direct detriment and to the detriment of our objective of eliminating discrimination in world trade.

Dwight D. Eisenhower: Papers as
President of the United States,
1953-61 (Ann Whitman File)
Cabinet Series
Box 2, Mtg. May 22, 1953

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Document No. 3 - Annex B

Zinc: Conclusions

The following conclusions can be drawn from the attached tables and other available data.

1. In the pre-Korean period the highest figure of global production was 1801 thousand tons, in 1949. Production rose to 2218 thousand tons in 1952, or a gain of 22 percent.

2. The rise in production was unequal as between major producing areas. For example, production in the United States rose only 12 percent, as compared to a rise of 33 percent in Canada, 60 percent in South America (principally Peru), 38 percent in Africa, and 10 percent in Australia. Production in Mexico declined 5 percent.

3. During 1953 world production is expected to decline by 106 thousand tons to a total of 2112 thousand tons. This represents a decline of 5 percent compared with 1952 but is still 17 percent above the 1949 rate. The decline in the United States, however, is expected to be 21 percent or proportionately much greater than for the world as a whole. This reflects higher average production costs in the United States. Slight declines are also expected in Canada and Mexico but significant increase will probably be attained in the lower cost areas, principally Australia and Africa.

4. Generally mine production, especially outside the United States, has been slow to respond to changes in price. A contributing factor has been a built-in price support in the form of long-term high price contracts. Some are Government contracts, others are private. For example, one large new mine in Canada which began operations in 1952 has a long-term contract with one of the largest United States consumers at 17½ cents.

5. Consumption between 1949 and 1952 rose 18 percent, principally in the United States and Europe. Consumption in Europe is expected to decline about 50 thousand tons in 1953 but nevertheless global consumption will still be 15 percent over the 1949 rate.

6. The difference between growth of mine production and growth in consumption of slab zinc indicates an

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an over-production at the mine level between 3 to 4 percent or about 60 thousand to 80 thousand tons annually. An over-production of approximately this rate appears to be maintained through the first quarter 1953.

7. A disparity of this magnitude should not in itself lead to the heavy pressure on prices recently experienced but when the figures for smelter production are examined, the situation becomes more understandable.

8. For the years 1951 and 1952 smelter production exceeded slab zinc consumption by approximately 370 thousand tons. An additional excess in smelter production is probable in 1953. This was the result of accumulations of concentrates in the hands of smelters arising out of excess mine production. As long as concentrates are available the smelter has every incentive to maintain full production because capacity operation means lower unit costs. The impact of this excess metal on the market has resulted in accumulation of stocks in consuming countries and by the British Government, some increase in the United States stockpile, and pressure on prices.

9. It now appears, however, that consumption of concentrates at the smelter level in 1953 will exceed production of concentrates by a substantial margin. Although there will still be a surplus of metal, the demand for zinc concentrates should improve by the end of the year.

10. In the second half, smelter stocks of concentrates should dwindle quite rapidly; the decline will be more pronounced in the European smelters than in the United States smelters since foreign shippers should be able to net a better return here based on United States metal prices compared with London market quotations.

11. By the end of the first quarter 1954, if present low prices continue, the rate of metal production should be significantly lower. It is obviously impossible to say at this time whether metal production at that time will balance demand.

12. Persistent low prices of zinc will further reduce the output of concentrates until the current

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imbalance of approximately 60-80 thousand per year is corrected. In the absence of any additional United States protection, the bulk of any adjustment will be centered in the United States. This might mean a possible further decline in United States mine production of 5 thousand per month or a maximum of 10 percent off the January-February 1953 rate. The total decline from the 1951 peak of United States production would then be about 25 percent. Given a continuation of present trends in mine and smelter production, however, a reasonable balance with consumption will have been achieved by early 1954.

__Lead and Zinc Mining Employment__

Employment in zinc and lead mining has declined by about 3,500 from approximately 22,000 over the last year, and is now at approximately the level in late 1949 and below the level immediately before the Korean war. While this reduction represents a very small part of total United States employment, it is so concentrated as to cause serious difficulty for some isolated communities.

Dwight D. Eisenhower: Papers as
President of the United States,
1953-61 (Ann Whitman File)
Cabinet Series
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Lead: Conclusions

The following conclusions can be drawn from the attached tables and other available data.

1. The conclusions drawn with respect to zinc are in part applicable to lead.

2. Mine production in lead, however, only rose 8 percent in 1952 over 1949; production at mine level has, on the whole, been more stable than zinc output. Mine production in the United States and Mexico declined between 1949 and 1952 while production in other areas, principally South America, Africa, and Australia, showed substantial increases.

3. The indicated decline in world output for 1953 appears to be primarily centered in the United States although other areas appear to be experiencing declines to a lesser extent.

4. The over-production that took place in lead mine production arose primarily because lead mining is associated with zinc mining and was for the same reasons unresponsive to the changes in price.

5. Like zinc, forecasts of future military and civilian demand for lead were considerably wide of the mark and over-expansion of production took place.

6. The consumption data shown are on a primary pig lead basis but include small amounts of secondary lead produced at primary refineries. The figures are not, however, indicative of real consumption because of the large scrap factor in the case of the United States amounting to approximately one-third of the entire supply. The rate of primary consumption is also affected by the erratic flow of scrap; for example, lower primary consumption in 1952 and 1953 reflects the influx of scrap from the high primary consumption of 1950.

7. The impact of consumption on mine production therefore tends to be a function not only of the general level of industrial activity but also of the variations in the scrap supply.

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8. Unlike zinc, smelter production of lead has not been significantly out of balance with mine production.

9. Total consumption including consumption from scrap has not varied significantly in the post-Korea period. Some indicated declines in Europe in 1953 are offset by increases in the United States.

10. Mine production and consumption in 1953 now appears to be reasonably in balance.

11. Gradual increase in lead consumption in the United States due to larger storage batteries and increased consumption of gasoline as well as improvement in consumption elsewhere should absorb total mine production in 1953. Indicative of this situation is the fact that the price of lead has risen ½ cent in recent weeks.

Dwight D. Eisenhower: Papers as
President of the United States,
1953-61 (Ann Whitman File)
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THE PRESIDENT

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING ✓

Friday, May 29, 1953

1. Report on Korean Truce Negotiations. ✓
(The Acting Secretary of State)

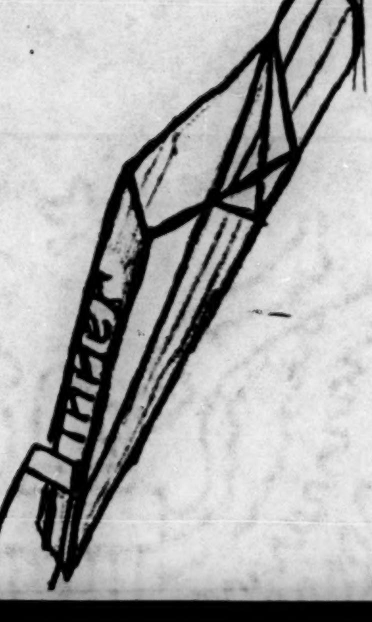
2. The Wheat Loan to Pakistan. ✓
(The Director of the Budget)

3. Creation of Cabinet Committee on Foreign Procurement Policy. (The President). Your memorandum establishing Committee attached. ✓

4. Comments on the 1954-55 Budget. ✓
(The Director of the Budget)

5. Plans for Radio-Television Program, June 3rd. ✓
(The President)

Dinners ✓



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By bc NLE, Date 4/14/75

MINUTES OF CABINET MEETING

May 29, 1953

10:00 A. M. to 11:35 A. M.

The following were present:

President Eisenhower

General Smith
  (for Mr. Dulles)
Secretary Humphrey
Secretary Wilson
Attorney General Brownell
Postmaster General Summerfield
Secretary McKay
Mr. True D. Morse
  (for Mr. Benson)
Secretary Weeks
Secretary Durkin
Secretary Hobby

Mr. Dodge
Mr. Flemming
Mr. William Rand
  (For Gov. Stassen)
Amb. Lodge
Chairman Young
Mr. Shanley
Gen. Persons
Mr. Cutler
Mr. C.D. Jackson
Dr. Hauge

The President informed Cabinet Members of reports he had from Mr. Sig Larman and John J. McCloy concerning the effectiveness of American information programs in Germany and the extensive use of American libraries there. He indicated the Administration might well take the initiative in being proud of its representatives and the good job they are doing abroad. Mr. McCloy had noted a German poll which showed the United States rating 20% above any other country in popularity.

Korean Truce Negotiations - Under Secretary of State Smith briefed the Cabinet on developments in the truce talks since April 26, and outlined the current proposals. He noted the nearly solid support of about fourteen Congressional leaders with whom the matter of voting procedure was discussed. He called attention to the protests of the South Korean Government.

General Smith also commented on a report he had from Senator Hickenlooper to the effect that the "go it alone" philosophy is gaining strength in Congress. He believed this to be the result of a lack of appreciation of the serious responsibilities involved in undertaking such a policy. He described the concern of some Members of Congress over the possibility of recognition of Red China as underlying criticism of current negotiations.

Agricultural Surpluses - Mr. Dodge presented recommendations for legislation concerning shipment of wheat to Pakistan

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which would provide a grant of one million tons, of which 700,000 would go immediately, but the situation would be reviewed prior to shipment of the last 300,000 tons, if it is still needed, with a view to transforming the grant into a loan. The shipment would be financed by cancelling notes of the Commodity Credit Corporation and reducing its borrowing authority by the amount loaned. MSA will cover the transportation costs of $15 million dollars. Mr. Rand indicated that in reality the wheat would be sold for rupees through operation of counterpart funds.

It was indicated that the borrowing authority of the Commodity Credit Corporation could be restored at a subsequent date should an urgent need arise.

The President expressed his liking for the idea of a food loan fund such as suggested by Mr. James Black, except for the possibility of complications arising from future changing conditions.

Foreign Procurement - The President indicated that, as a result of Secretary Wilson's comments last week, a Cabinet committee will study and report on foreign procurement policy.

Secretary Wilson repeated his concern for avoiding foreign purchases where they are uneconomical.

Mr. Wilson noted that the contract for the McNary Dam electrical equipment had been awarded to the British, that the bids were in for the Chief Joseph project, and it appeared that the British would be given the contract. Secretary McKay called attention to recent foreign purchases of the Interior Department for an Idaho River project, and indicated that he would like to present at a later date figures showing the great extent of foreign purchases by the Interior Department in past years, despite the 25% differential of the Buy American Act.

1954-55 Budget - Mr. Dodge presented tables showing the existing status of the contents of the 1955 budget, and also the breakdown of the contents into "mandatory" and "manageable" expenditures.

The Cabinet Members discussed several of the "mandatory" items, such as, grants-in-aid for Old Age Assistance, highways, etc.

The President called attention to his frequent concern over the expansion of TVA and the manner in which it has attracted industries away from other areas, leaving critical labor surpluses behind. Mr. Dodge noted that a careful study is being made of TVA operations.

Radio-Television Program - The President discussed briefly the plans for this program on June 3, with particular emphasis on informality.

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Presidential Dinners - The President informed the Cabinet of his plans for a series of dinners to bring together members of the Administration and prominent private citizens as a means of gaining a better feeling of the pulse of the country.

NATO Status of Forces Treaty - Secretaries Wilson and Smith called attention to the need for early action on this legislation and its absence from Senator Knowland's list of "must" legislation. General Persons indicated that the subject has been taken up with Senator Knowland and will be taken to other appropriate Congressional leaders.

Bricker Amendment - The President called attention to a report he had had from the Vice President that Senator Bricker would take a position diametrically opposed to the intent of his amendment in regard to a specific Executive Agreement now under study in the Administration.

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By BHC NLE, Date 7-28-76

MINUTES OF CABINET MEETING

June 5, 1953

10:00 A. M. to 11:40 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Secretary Dulles
Mr. W. Randolph Burgess
(for Secretary Humphrey)
Secretary Wilson
Mr. Wm. P. Rogers
(for Attorney General Brownell)
Postmaster General Summerfield
Secretary McKay
Secretary Benson
Secretary Weeks
Secretary Durkin

Secretary Hobby
Mr. Dodge
Gov. Stassen
Ambassador Lodge
Chairman Young
Gov. Adams
Mr. Shanley
Mr. Cutler
Mr. C. D. Jackson
Gen. Persons
Mr. Hughes
Dr. Hauge

Patronage - The President commented on his dislike for having patronage brought to him again and again by individual members of the Republican Party. He noted that Chairman Hall was in a position to take care of these, and that Hall had his full support in placing well-qualified men.

Excess Profits Tax - The President expressed his disappointment that the NAM and the U.S.Chamber of Commerce went on record against continuation of the excess profits tax. He felt that they did not recognize that the middle of the road is their only chance to have any share in government and that they have got to make certain concessions away from their right wing view if a Republican Administration is to be viable. Messrs. Benson and Lodge commented that that position by the NAM would not be harmful to the President.

- - -

The President called to the attention of the Cabinet Members a cartoon given him by Hamilton Fish Armstrong concerning the incongruity of investigators looking for American defects in Central Europe.

- - -

Bricker Amendment - The President reported to the Cabinet the comments made by the Legislative Leaders the preceding day concerning

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a strong sentiment in the Senate for the Bricker Amendment. He expressed his belief that even the revised amendment would tie the hands of the President in case of war.

Secretary Dulles emphasized the disastrous effect this amendment would have on the United States by virtue of its reversal of American constitutional principles. He expressed strong support for Mr. Herman Phleger as against the criticism made by Congressional leaders, and he felt that the Congressional leaders desired a compromise of principle on this subject where he believed no compromise possible. The President agreed on the undesirability of compromise, but commented that a salesmanship job was in order to bring the Senate around.

It was agreed that Mr. Brownell and Mr. Phleger should undertake to arrange an alternative solution which would avoid compromise but provide a means of saving face for the interested Senators. General Persons will work closely with Cabinet Members in determining where their personal influence can most effectively be exerted, both on this subject and on others that may arise.

Mr. Benson and others noted the broad support of public opinion for this amendment which has resulted from lack of presentation of its dangers. General Persons commented that the House may accept the amendment as a means of gaining an opportunity to participate in civilian conduct of foreign affairs.

National Security - The International Situation - Secretary Dulles gave an interpretation which emphasized the danger of Russian aggression through (a) open war, (b) satellite war, (c) internal subversion; and he reviewed the measures for combatting all of these, especially by a global system of air bases for retaliatory action, economic aid to Allies, NATO, and specific limited measures for local wars. He warned of the economic impossibility of the concept of a return to Fortress America, and he outlined the far-reaching implications of any Communist success in Indo-China. He summarized the situation in terms of a minimum amount of military and economic measures necessary to national security.

The President commented on the difficulty of maintaining such a minimum in a democracy and characterized the basic struggle as one between the totalitarian state which can force its subjects to provide security, as against the free state which must successfully convince its subjects in order to maintain that very freedom. "It is", he said, "the struggle of men to rule themselves."

National Security - Continental Defense - Mr. Cutler presented to the Cabinet the substance of the Edwards Committee report concerning Continental Defense, and the Cabinet discussed briefly some of its implications.

Intergovernmental Commission - Mr. Dodge called attention to the imminent approval of this legislation and the need for selecting personnel. Governor Adams is handling the matter. The President expressed his belief that the Executive Secretary of the Commission should be a studious, thoughtful person rather than a public relations man.

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Agricultural Surpluses - Mr. Dodge noted that he and Secretary Benson are working on a general measure for utilization of surpluses and will present recommendations to the Cabinet.

Buy American Act - Mr. Stassen noted that MSA is in touch with other departments on this legislation, and he recommended that no attempt be made to repeal this Act pending completion of the foreign trade and tariff study, but that the concept of a 25% differential might be modified at this time.

Government Organization - The President expressed his interest in the idea of having a permanent secretariat for the entire Government, and he requested all Cabinet Members to give some thought to it. Mr. Dodge will coordinate. The President also noted his intention to have Mr. Carter Burgess explore the possibility of a White House secretariat.

Foreign Procurement - Secretary Wilson noted that Westinghouse had underbid the British in regard to the generators for the Chief Joseph Dam, that the British were low for the transformers, and that rebidding had saved the Government about $700,000.

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The Director of Defense Mobilization

THE WHITE HOUSE
WASHINGTON

AGENDA FOR CABINET MEETING

Friday, June 19, 1953

1. Korea. (The President)
2. Recent agricultural developments. (The Secretary of Agriculture)
3. Reorganization affecting Interior and Defense Departments relating to public works. (The President)
4. Bureau of Land Management. (The President)

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By SWC NLE, Date 9-7-77

MINUTES OF CABINET MEETING

June 19, 1953

10:00 A.M. to 11:47 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Secretary Dulles
Secretary Humphrey
Secretary Wilson
Attorney General Brownell
Postmaster General Summerfield
Secretary McKay
Secretary Benson
Mr. Walter Williams
(for Secretary Weeks)
Secretary Durkin
Secretary Hobby

Mr. Dodge
Gov. Stassen
Amb. Lodge
Chairman Young
Gov. Adams
Gen. Persons
Mr. Shanley
Mr. C. D. Jackson
Mr. Cutler
Mr. Hughes
Dr. Hauge

Korea - The President reviewed the recent developments in Korea, emphasizing the difficulty created by the apparent willingness of the South Koreans to undertake suicide. He pointed out that the South Korean Ambassador in an interview with him had been asked what the South Koreans would do were American support withdrawn and had replied simply, "We should die". The President noted the importance of remembering that Communism is still our principal enemy in Korea, and then outlined the possibilities, though scarce, of finding some means of conciliating the South Koreans and saving the situation.

The President noted that similar problems in a lesser degree exist in other parts of the world, and he commented that our experience in South Korea perhaps suggested the need for greater sympathy for the British in regard to Iran. (See also below.)

Agricultural Developments - Secretary Benson distributed a memorandum outlining recent agricultural developments in regard to wheat surpluses, an outbreak of hoof and mouth disease in Mexican cattle which threatens to spread to the United States, and the severe drought in Texas, Oklahoma, and part of Kansas.

Secretary Benson reported good morale among the farmers during his recent swing through the country. Secretary Humphrey substantiated this on the basis of reports given him by bankers from various areas of the Nation.

In regard to wheat surpluses, Mr. Benson noted a major problem of obtaining sufficient storage facilities, in view of large crops for 1953 and 1954. To offset speculation on the price of storage facilities, the Agriculture Department had offered to make loans at 80% of parity

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on wheat storage on the ground. He noted that this action had served already to bring more storage facilities on the market at a reasonable price. He also informed the Cabinet that his Department may have to announce acreage allotments and marketing quotas for 1954, as required by law when large surpluses seem probable. This may also occur in the case of cotton.

The President expressed his personal disapproval for an acreage system which takes some of the most fertile land out of production, while continuing use of marginal land, for such does not make maximum use of national resources. He raised the possibility of an early indication of future parity policy as a means of obtaining voluntary reduction of acreage. When Mr. Benson suggested further that the Administration might secure from Congress a joint resolution allowing flexible price supports in 1954, the President stated that he was firmly committed to supporting the present law to the end of 1954.

Mr. Benson indicated some of the difficulties in attempting to control the spread of disease in cattle, and the steps being taken with the help of the State Department to secure greater cooperation from the Mexican Minister of Agriculture.

The President suggested the possibility of selling surplus products at a greatly reduced rate in drought-stricken areas as a means of maintaining fodder supplies for herds in those areas. Mr. Benson stated that some help was being given along this line by means of disaster loans. The President expressed the thought that too much borrowing by farmers could be permanently crippling and that reduced prices might be a better method.

The President desired that Secretary Benson give full publicity to constructive measures taken by the Administration to deal with these problems.

Reorganization Plans - The President indicated that the Reorganization Committee was again working on plans concerning the Bureau of Land Management and also the activities of the Army Engineers and Bureau of Reclamation concerning public works. He desired to have anyone who is approached by the Committee for help to really plunge into the question and give full support. He expressed the thought that these plans might be presented to the entire Cabinet when further developed.

Civil Service - Schedule A - Mr. Young called attention to the forthcoming Executive Order which restores Schedule A positions to an unprotected status (except for the provisions of Veterans Preference legislation). The President desired that a press release be made in advance concerning the objective of this order for consolidating and strengthening the position of career servants. Mr. Young also noted that certain positions would be transferred from Schedule A to the career service; at the suggestion of Mr. Stassen, this will be done simultaneously with the Executive Order.

Mr. Young indicated that a start will soon be made on securing legislation altering the Veterans Preference Act, and he pointed out again that since veterans do not have any preference in obtaining Schedule A positions, protecting them once established in a Schedule A position works to their disadvantage, for employers are reluctant to take them on in that category.

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Rosenberg Case - At the request of the President, Mr. Brownell reviewed the status of the Rosenberg case before the Supreme Court, and emphasized that the question is purely technical and that the stay would seem without foundation, since the Atomic Energy Act had not been passed until after the time of the crime.

The President expressed his concern that recent developments may have confused the public and obscured the fact that there is no question concerning guilt of the Rosenbergs. In discussing the question of clemency, the President stated his interpretation that any intervention by him could be justified only where "statecraft" so dictated in the interests of American public opinion or the reputation of the United States Government in the eyes of the world.

Ambassador Lodge and Mr. Jackson called attention to the difficulty of obtaining factual information rather than propaganda on the case. It was agreed that the President should issue a second statement more extensive than the first and emphasizing the involvement of the entire free world in the outcome and handling of the case.

Mr. Brownell indicated that factual information which corroborated the guilt of the Rosenbergs was possessed by the Government but could not be used in the trial. The Cabinet agreed that the information continued to be irrelevant and could not be used in connection with last minute developments.

Speaking Engagements - Mr. Dodge called attention to the memorandum submitted to each department and agency requesting comments on a proposed policy concerning writing, speaking engagements, etc., of Government officials.

Korea - During the preceding discussion, Colonel Carroll brought in to General Cutler a message concerning Korea which was discussed with Mr. Dulles and the President quietly.)

The President reopened the question of "what next" in Korea and the Cabinet discussed at length, without conclusion, such points as popular support for President Rhee, the attitude of South Korean military leaders, and the implications concerning the security of American installations to the rear.

New Jersey Election - Ambassador Lodge called attention to the forthcoming election in New Jersey and recommended that the President avoid involvement; also that Cabinet Members be extremely cautious in taking any position.

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AGRICULTURAL PROGRESS

June 19, 1953

1. Crops are generally off to a good start - have seldom been better at this time of year. Farmers fare well and morale is better when crop prospects are good.

2. Average prices held about steady from February to May. Began to decline as new crops of wheat and oats started to move - this is normal.

	Change since Feb. 15
Cattle - down	$ 1.30 per cwt
Hogs - up	$ 3.80 per cwt
Cotton - steady	
Corn - down	3 cents per bushel
Wheat - down	15 cents per bushel

3. Grain storage problems are acute in about a 6-state region in soft winter wheat area.

    a. Efforts being made to get farmers to build more on-farm storage and hold any additions in the way of government storage to a minimum.

    b. Steps being taken to make emergency loans on wheat temporarily stored on the ground. We are assuming the announcement on this will tend to unfreeze storage being held to cash in on depressed wheat prices.

    c. Following a CCC decision on Wednesday to make loans available to farmers for wheat stored in the open, the price of wheat in Kansas City jumped 18 cents per bushel.

4. Acreage allotments and marketing quotas appear certain for both wheat and cotton.

5. Foot and mouth disease outbreak in Mexico is in a small area - but Mexican Government is not cooperating and situation is bad. It ~~will~~ cost the United States Government $127 million to eradicate the ~~present~~ previous outbreak.

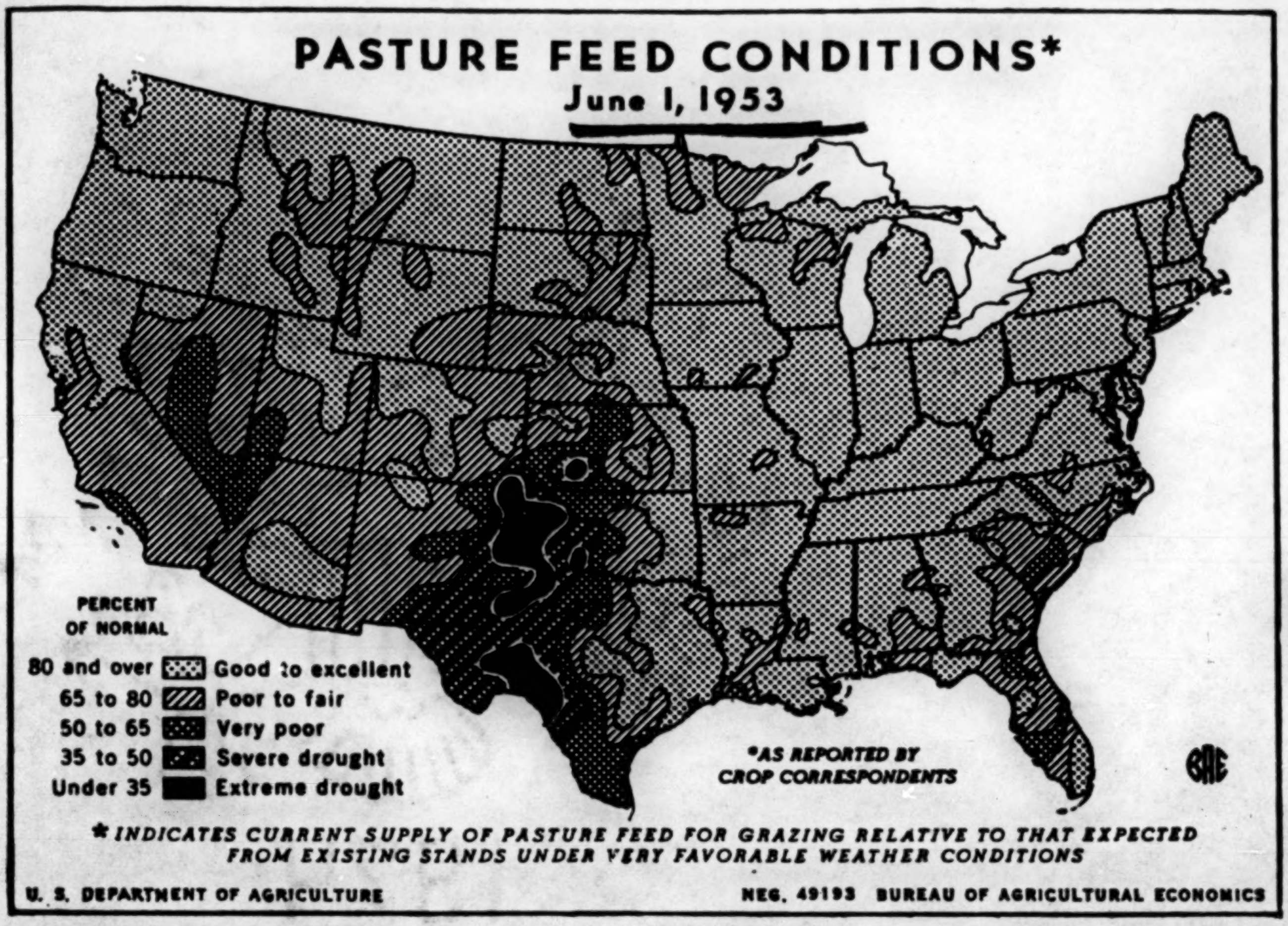
6. Acute drought continues to grip the Southwest - particularly Texas and Oklahoma.

    (See map)

    There is pressure on the Administration and the Department of Agriculture to sell feed at reduced prices in the area. Lots of cattle have been shipped out during the past two years.

7. Floods hit Louisiana hard in May. Disaster loans have been offered. Food and limited feed has been made available.

8. Tornadoes damage has been followed by offering disaster loans in the areas struck. Disaster loans currently outstanding for all causes total $55 million.



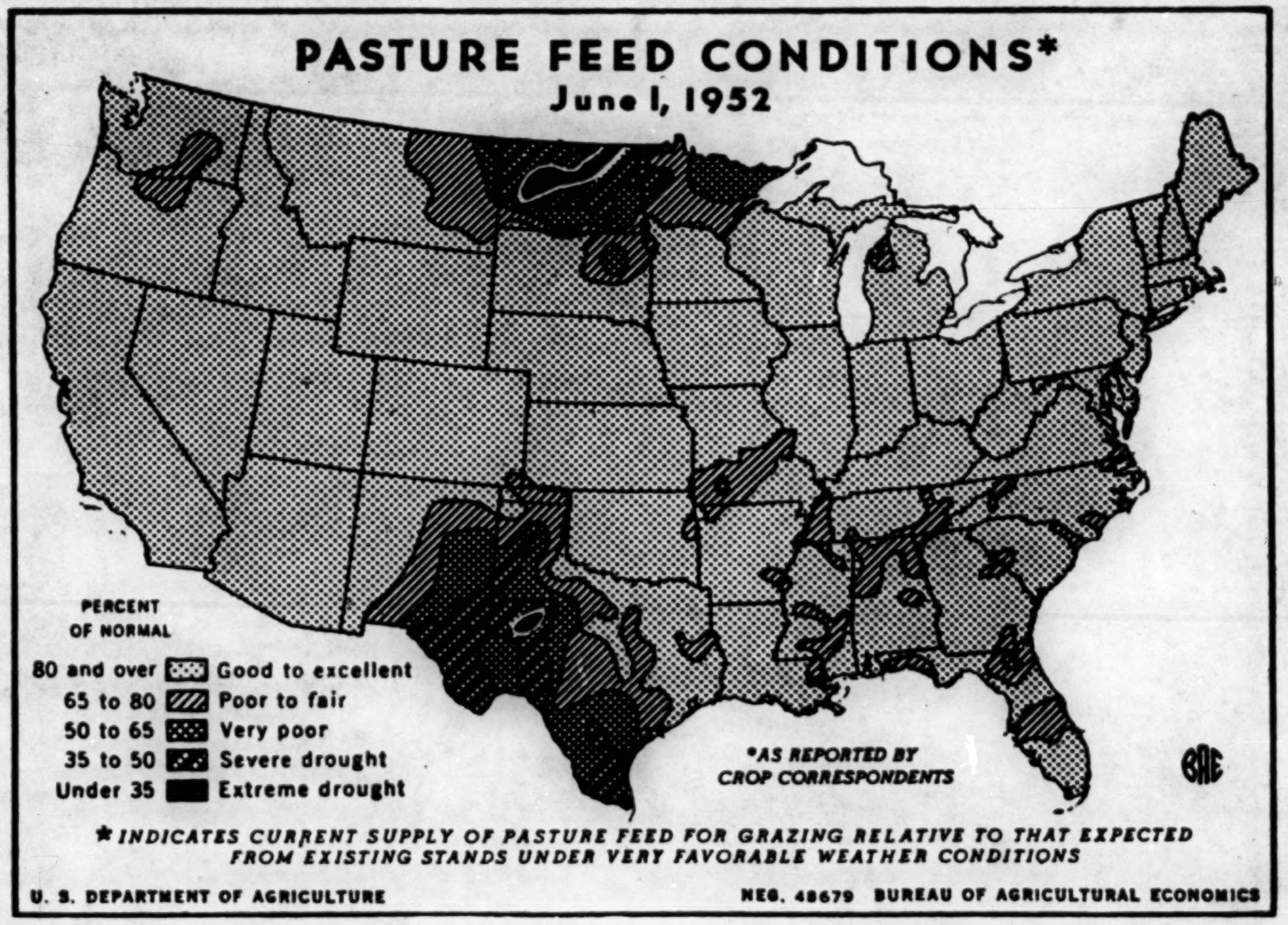
PASTURE FEED CONDITIONS*

June 1, 1953

PERCENT
OF NORMAL
80 and over ▨ Good to excellent
65 to 80 ▨ Poor to fair
50 to 65 ▨ Very poor
35 to 50 ▨ Severe drought
Under 35 ■ Extreme drought
*AS REPORTED BY CROP CORRESPONDENTS
BAE

*** INDICATES CURRENT SUPPLY OF PASTURE FEED FOR GRAZING RELATIVE TO THAT EXPECTED FROM EXISTING STANDS UNDER VERY FAVORABLE WEATHER CONDITIONS***

U. S. DEPARTMENT OF AGRICULTURE NEG. 49193 BUREAU OF AGRICULTURAL ECONOMICS



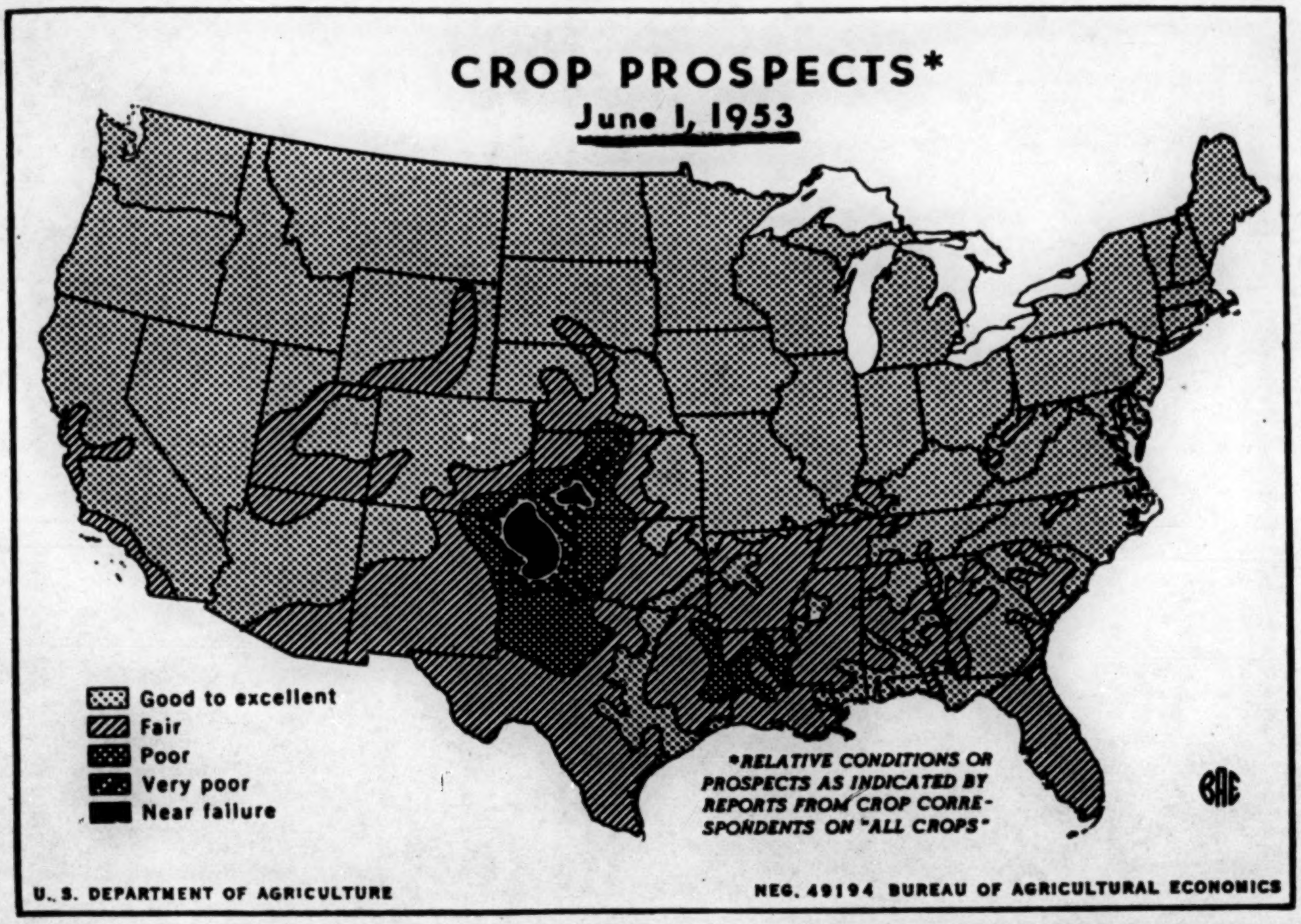
PASTURE FEED CONDITIONS*

June 1, 1952

PERCENT
OF NORMAL
80 and over ▨ Good to excellent
65 to 80 ▨ Poor to fair
50 to 65 ▨ Very poor
35 to 50 ▨ Severe drought
Under 35 ■ Extreme drought
*AS REPORTED BY CROP CORRESPONDENTS
BAE

*** INDICATES CURRENT SUPPLY OF PASTURE FEED FOR GRAZING RELATIVE TO THAT EXPECTED FROM EXISTING STANDS UNDER VERY FAVORABLE WEATHER CONDITIONS***

U. S. DEPARTMENT OF AGRICULTURE NEG. 48679 BUREAU OF AGRICULTURAL ECONOMICS

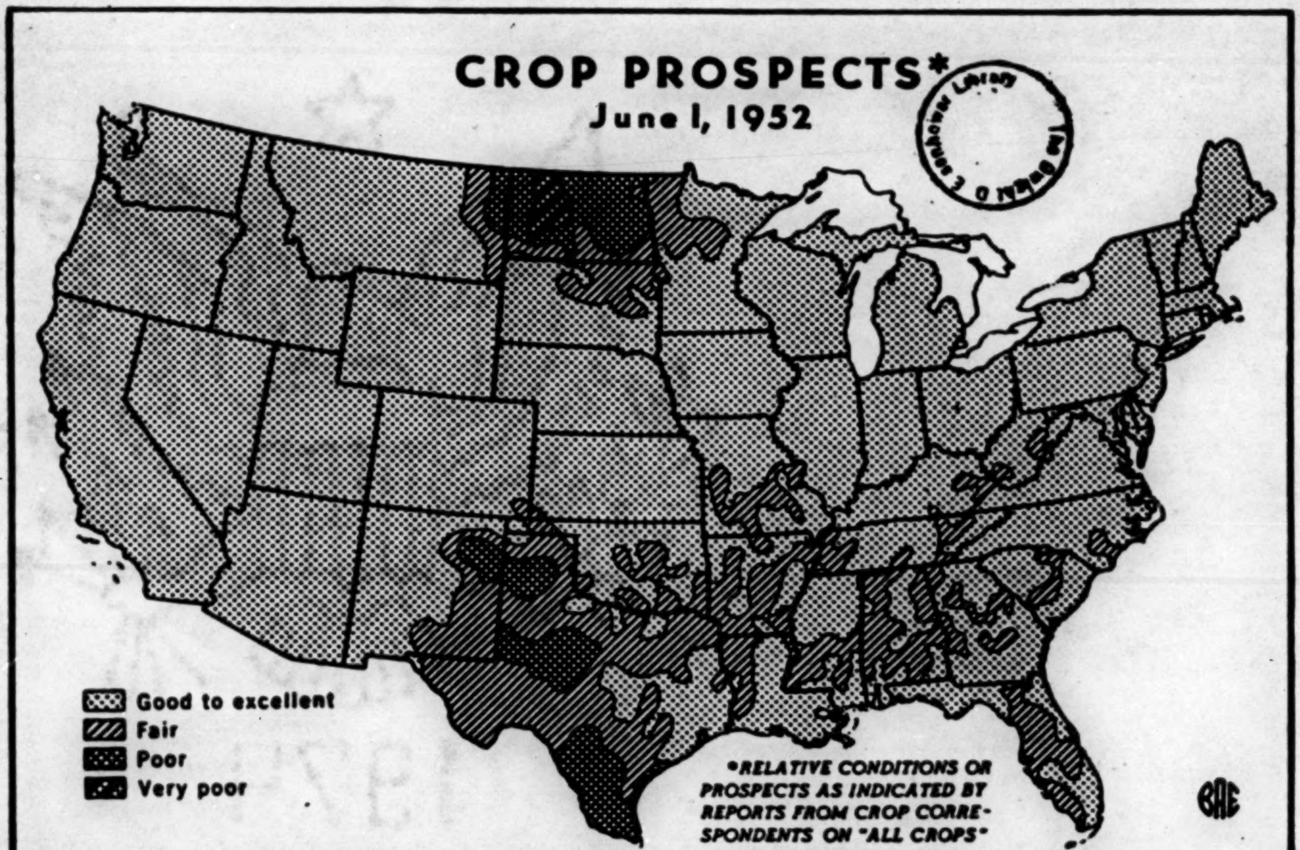

Good to excellent
Fair
Poor
Very poor
Near failure
BAE

CROP PROSPECTS*

June 1, 1953

*RELATIVE CONDITIONS OR PROSPECTS AS INDICATED BY REPORTS FROM CROP CORRESPONDENTS ON "ALL CROPS"

U. S. DEPARTMENT OF AGRICULTURE NEG. 49194 BUREAU OF AGRICULTURAL ECONOMICS


Good to excellent
Fair
Poor
Very poor
BAE

CROP PROSPECTS*

June 1, 1952

*RELATIVE CONDITIONS OR PROSPECTS AS INDICATED BY REPORTS FROM CROP CORRESPONDENTS ON "ALL CROPS"

U. S. DEPARTMENT OF AGRICULTURE NEG. 48678 BUREAU OF AGRICULTURAL ECONOMICS

THE WHITE HOUSE
WASHINGTON

AGENDA FOR CABINET MEETING

Friday, June 26, 1953

1. Personnel checks. (The President) (Lyon)

2. Status of revolving fund for stockpiling and procurement. (The Director of the Office of Defense Mobilization)

3. Administration space policy. (The Administrator of the General Services Administration)

4.- Status } of men selected.
Security }

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E.O. 11652, Section 1
By BHC NLE, Date 7-28-76

MINUTES OF CABINET MEETING

June 26, 1953

10:00 A. M. to 12:20 P. M.

The following were present:

President Eisenhower

Vice President Nixon
Secretary Dulles
Secretary Humphrey
Secretary Wilson
Hon. William P. Rogers,
    Deputy Attorney General
Hon. Charles R. Hook, Jr.,
    Deputy Postmaster General
Hon. Ralph A. Tudor,
    Under Secretary of Interior
Secretary Benson
Secretary Weeks
Secretary Durkin
Secretary Hobby

Hon. Edmund F. Mansure, GSA
    (for first item only)
Mr. Dodge
Mr. Flemming
Gov. Stassen
Amb. Lodge
Mr. Young
Gov. Adams
Mr. C. D. Jackson
Mr. Cutler
Mr. Shanley
Gen. Persons
Dr. Hauge

Following a brief silent prayer, the President commented on the serious problems facing the Administration in regard to President Rhee and Mr. Reed, and repeated his belief in the value of maintaining confidence and good spirit.

- - -

General Services Administration - Mr. Mansure distributed memoranda for the Cabinet Members and discussed salient points concerning space problems, unified purchasing, reduction of record keeping, and standardization in purchasing. He stressed the need for having each department and agency designate a representative to the General Services Advisory Council, a person who could attend all the meetings and speak for his organization.

In response to a series of specific questions from the President, Mr. Mansure described procedures for preventing duplicate inspections, prescribing appropriate specifications, increasing inventory turnover, developing close cooperation with other departments and agencies, arranging car "pools" and restricting use to official business, and other similar GSA operations.

The Vice President and Governor Adams questioned the effect on small business of centralized and standardized purchasing, to which Mr. Mansure replied that standardization eliminates considerably the use of special items on which small firms cannot compete.

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The President emphasized the waste which results when a Government agency regards every scrap of paper as an official record which must be preserved. Mr. Mansure informed the Cabinet of the GSA service for eliminating unnecessary records.

It was agreed that a close working relationship would be maintained between other departments and agencies and the GSA.

Stockpiling and Procurement Fund - Mr. Flemming summarized the memo distributed to Cabinet Members concerning the contingent liabilities of the Government resulting from "floor contracts". In order to present other pertinent statistics, the President requested Mr. Flemming to prepare another memorandum dealing with a single item such as copper and covering all ramifications.

Secretaries Humphrey and Wilson believed stockpile objectives should be reviewed to determine possibilities of reducing them.

In connection with discussion of the burden on Treasury from stockpiling, Secretary Dulles suggested possible relief through sale of some Government assets. Mr. Humphrey called attention to such efforts as the proposed sale of barge lines, rubber plants, etc. Mr. Wilson noted that the Defense Department is reviewing its property holdings. Mr. Dodge called attention to the extensive unused property in Denver under GSA control.

Personnel -

(a) The President requested Cabinet Members to check fully on the background, qualifications, and point of view of potential appointees prior to making recommendations for nominations to be sent to Congress.

(b) The President requested that, in filling vacancies in Schedule A and C positions, the recommendations of Chairman Hall be considered.

(c) The President suggested greater effort be made to broaden geographical representation among new appointments and cited Tennessee as an example.

(d) Cabinet Members were requested to check with the White House before employing those discharged or transferred from other Government agencies.

In the discussion of these items the President emphasized repeatedly that suggestions made by Chairman Hall should receive merely the same consideration as others, and that it was primarily a matter of giving Mr. Hall an opportunity to make suggestions. The President reviewed criticisms made of Administration handling of personnel matters, and commented that it would be worthwhile to remove the causes of agitation provided such effort did not interfere with sound personnel policies.

Secretary Dulles noted State Department efforts to cooperate within reason on patronage matters. He warned that his Department

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cannot be run on a partisan basis and that the Administration should take care to avoid alienating Democratic support on policy matters, for such support will be needed if some Republicans persist in opposing Administration foreign policy measures. The President noted a few specific cases of support from unexpected Republican quarters.

The Vice President and Governor Adams noted that it is accepted policy to have Eisenhower Democrats in the Administration.

Information Center Libraries - The President requested for the next Cabinet Meeting a statement of American policy on books in overseas libraries. Secretary Dulles commented briefly that the lists of "burned books" published in certain newspapers resulted from the actions taken independently by librarians as a result of either fear or of hatred for Senator McCarthy. He noted also the importance attached abroad to Senator McCarthy's actions and position.

Mr. Dulles called attention to the provision of the law establishing the Information Center Libraries, which stipulates that the books used must be descriptive of the United States or concerned with United States foreign policy. Literal interpretation of the law would exclude Shakespeare, the Bible, and Gibbon's History of Rome. The President requested that an analysis be made of the policy on books with a view to action to bring policy abroad into conformity with policy at home.

Economy in Administration - The President called attention to information concerning waste given him by Representatives Taber and Scrivner, and suggested that Cabinet Members consult verbally with appropriate subcommittee chairmen from time to time with a view to securing information developed in Congressional investigations which would be helpful in promoting administrative economy and efficiency.

Buy American Act - Secretary Dulles urged that Cabinet Members give immediate attention to the memorandum now being circulated in regard to a proposed Executive Order pertaining to the Buy American Act, so that action may be completed during the week of June 29th.

Fiscal Policy - Secretary Humphrey discussed at length the difficulty of marketing Treasury notes which has resulted from the tight credit situation, and he explained the extraordinary measures to be taken to provide adequate working capital for the Treasury pending tax receipts. He warned that the seriousness of the situation meant extreme caution should be used prior to adopting any new foreign aid measures for "financing the world".

The President commented that United States activities were not quite that extensive and that the most desirable policy might be one of increasing expenditures abroad to allow greatly reduced expenditures at home. He noted the impossibility particularly of attempting to restore a balanced budget immediately after a long period of unbalanced budgets.

It was agreed that the next Cabinet Meeting will be a breakfast meeting at the White House at 8:00 a.m., Friday, July 3rd.

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THE WHITE HOUSE
WASHINGTON

June 26, 1953.

THE ASSISTANT TO THE PRESIDENT

PERSONAL AND CONFIDENTIAL

Dear Mr. Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet Meeting:

General Services Administration - Mr. Mansure emphasized the necessity stated in his memorandum of June 26th for having each department and major agency designate a representative to the General Services Advisory Council who will be able to attend the meetings of the Council and have power to speak for his department or agency.

It was agreed that, in order to accomplish the budgetary objectives of GSA, a close working relationship would be maintained between every department and agency and the GSA.

Economy in Administration - The President suggested that Cabinet Members consult verbally with appropriate subcommittee chairmen from time to time with a view to securing information developed in Congressional investigations which would be helpful in promoting administrative economy and efficiency.

Buy American Act - Secretary Dulles urged that Cabinet Members give immediate attention to the memorandum now being circulated in regard to a proposed Executive Order pertaining to the Buy American Act, so that action may be completed during the week of June 29th.

Economic Reports - The President invited Cabinet Members interested in having the monthly Economic Indicators to request Dr. Arthur Burns for it.

Personnel -

(a) The President requested Cabinet Members to check fully on the background, qualifications, and point of view of potential appointees prior to making recommendations for nominations to be sent to Congress.

(b) The President requested that, in filling vacancies in

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Schedule A and C positions, the recommendations of Chairman Hall be considered.

(c) The President suggested greater effort be made to broaden geographical representation among new appointments and cited Tennessee as an example.

(d) Cabinet Members were requested to check with the White House before employing those discharged or transferred from other Government agencies.

The next Cabinet Meeting will be a breakfast meeting at the White House at 8:00 a.m., Friday, July 3rd.

Sincerely,

Honorable Harold E. Stassen,

Director for Mutual Security.

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GENERAL SERVICES ADMINISTRATION

Washington 25, D.C.

June 26, 1953

MEMORANDUM FOR THE CABINET:

The Bureau of the Budget provides you with MONEY. The Civil Service Commission provides you with MANPOWER. General Services provides you with MATERIALS and LOCATIONS.

Critical problems are confronting General Services. They are:

__SPACE__: The Federal establishment today occupies 76 million square feet of office space. Under the pending budget it is essential that we reduce leased space by 4 million square feet - a net loss of 18.2%. We cannot do so unless the individual departments comply with our Regulations and our space philosophy as outlined in Circular No. 65 sent you on May 29. We urge that the Departments, some of which frankly have been "dragging their feet" on space utilization, comply with our recommendations. As for you personally, I ask your support in every way possible on pending Lease-Purchase legislation which would ease the strain immeasurably.

__RECORDS__: The Government now has enough records to fill the Pentagon Building seven times. They are costly to create and costly to maintain. General Services has an aggressive program to stop this flow of paper and to diminish the existing pile. We have been successful in the last fiscal year to the extent of releasing 47,200 file cabinets. Our goal for the next year is the movement of records to storage (out of costlier office space) and an intelligent program of records control and destruction.

__STANDARDS__: The diversity of materials used by the Departments is far out of proportion to needs. Already General Services has, through standardization, reduced the types of bent wood office chairs from 25 to 1; paper towels from 18 to 5; metal clothing lockers from 136 to 10 and steel desks from 54 to 8. Much more can be accomplished by cooperation. Standardization enables the use of material closer to industry standard, and will derive the benefit of mass purchasing by concentrating orders.

__STORES__: Last year General Services issued to agencies $55 millions in supplies. Next year it will be $93 millions. This is still not good enough. If these totals are increased, individual department purchasing will go down and the benefits of centralized procurement will be realized by all. Department heads should direct the fullest possible use of these facilities.

__UTILIZATION__: The fullest use of what we already have obviously reduces the total of new purchases. General Services is staffed to install utilization programs or expand those already in. A single example - automobiles - illustrates possibilites. The development of motor vehicle pools in one agency in Washington, D. C. has cut passenger car use from 36 vehicles to 8 and the truck pool has been reduced by 35.

E F Mansure

EDMUND F. MANSURE
Administrator of General Services

OUTSTANDING COMMITMENTS OF THE FEDERAL GOVERNMENT UNDER MATERIALS PURCHASE PROGRAMS

Since the start of the Korean hostilities, the Federal Government has made extensive use of long-term financial commitments in support of the expansion of material production to overcome deficiencies in the U. S. supply position. The basic authority for these support programs is the Defense Production Act, the specific mechanism being the so-called "Borrowing Authority" in Title III of that Act. Under that authority a series of production capacity expansion programs for the most critical materials have been certified and have been put into operation. These programs were intended to expand the supplies to meet current production requirements and to assure completion of the national stockpiles.

Several considerations lie behind these programs:

1. The historical evidence of World War II during which production schedules often could not be met because of strategic materials shortages.

2. The fact that after World War II the United States had become a net importer of many materials previously exported in significant amounts.

3. The increasing dependency of modern military equipment on such materials as nickel and columbium.

4. The slow progress that had been made prior to Korea in accumulating stockpiles of strategic and critical materials.

The type of assistance used in any given case was selected after study of alternative means of obtaining the desired expansion, and represents a judgment that the combination of devices used would result in the lowest probable net cost to the Government. Financial incentives used have included the privilege of rapid amortization of new facilities, Government loans or loan guarantees, and materials purchase programs.

The Government's materials purchase programs have been carried out through various forms of contracts or commitments of which the most notable are: contracts to purchase the entire output of facilities for a stated period at market prices; commitments to purchase stated quantities at fixed or floor prices; and open purchase offers to buy at stated prices all materials delivered in accordance with published regulations.

Materials purchase contracts or commitments for 21 materials were outstanding as of March 31, 1953. The maximum Government financial exposure amounted to $3,576,233,000, with a probable ultimate net cost of $475,798,000. Maximum financial exposure is in effect a measure of the total volume of business that may take place under the contracts, and this figure exceeds by many times either the amount of borrowing authority funds needed at any one time or the estimated ultimate net cost to the Government. The contracts in many cases merely insure the producer a market for the expanded portion of his output at market prices. In other cases the Government has offered a bonus or a fixed price above current or expected market prices. These contracts run for varying periods of time with several extending into 1962.

A summary of the Government's financial exposure and net costs, by materials and types of contracts, are shown in the attached table.

MAXIMUM FINANCIAL EXPOSURE AND PROBABLE NET COST OF OUTSTANDING MATERIALS PURCHASE COMMITMENTS UNDER SECTION 304(b) OF DEFENSE PRODUCTION ACT, BY PROGRAM AND TYPE OF CONTRACT

As of March 31, 1953

(Thousands of dollars)

Program	Maximum financial exposure on outstanding commitments 1/				Probable ultimate net costs of outstanding commitments 2/			
	Total	Fixed price 3/ contracts	Market price 4/ contracts	Other purchase contracts 5/	Total	Fixed price 3/ contracts	Market price 4/ contracts	Other purchase contracts 5/
TOTAL................	3,576,233	1,775,292	1,300,955	6/ 499,986	475,798	306,702	38,663	130,433
Aluminum................	911,980	375	911,605	-	1,940	-	1,940	-
Asbestos-Chrysotile............	8,243	3,243	5,000	-	214	214	-	-
Beryllium ore................	931	931	-	-	222	222	-	-
Castor beans (1953 program).....	21,311	-	21,311	-	4,362	-	4,362	-
Chrome................	49,744	49,744	-	-	26,939	26,939	-	-
Cobalt................	21,700	-	21,700	-	1,300	-	1,300	-
Columbium-Tantalum............	59,032	59,032	-	-	27,957	27,957	-	-
Copper................	697,141	692,241	-	4,900	38,996	38,996	-	-
Cryolite................	11,843	11,843	-	-	742	742	-	-
Fluorspar................	15,750	15,750	-	-	1,492	1,492	-	-
Graphite................	1,533	-	-	1,533	1,533	-	-	1,533
Lead................	11,516	11,516	-	-	1,214	1,214	-	-
Magnesium................	90,009	-	-	90,009	35,955	-	-	35,955
Manganese................	391,677	373,445	18,232	-	86,326	86,326	-	-
Mica................	28,902	28,902	-	-	22,609	22,609	-	-
Molybdenum................	157,500	-	-	157,500	23,672	-	-	23,672
Nickel................	431,586	185,427	3,615	242,544	139,486	70,201	12	69,273
Tin and tungsten............	2,244	-	2,244	-	1,324	-	1,324	-
Titanium................	317,248	-	7/ 317,248	-	29,725	-	29,725	-
Tungsten................	314,714	314,714	-	-	28,921	28,921	-	-
Zinc................	31,629	28,129	-	3,500	869	869	-	-

1/ These columns show the estimated maximum financial exposure for all uncompleted materials purchase transactions to which the U. S. Government was committed by contract or other agreement on March 31, 1953. Completed materials purchase transactions are not included in this table.

2/ These columns show the current estimate of the eventual net cost of such commitments to the Government under the Defense Production Act.

3/ This classification covers contracts under which the purchases are made at a specific price per unit, sometimes modified by an escalator clause for such items as changes in operating expense. Both firm purchase commitments and commitments to purchase at the option of the contractor are included.

4/ This classification covers contracts under which the purchases are made at the market price at the time of delivery, plus a few contracts in the gross amount of $62,011,000 with a probable ultimate net cost of $7,614,000 which provide for the market price supplemented by a premium or bonus. Both firm purchase commitments and commitments to purchase at the option of the contractor are included.

5/ This classification covers contracts of the following types: (a) operating costs plus profit, under firm purchase commitment; (b) purchases at market price at time of delivery with a ceiling limitation, under contractor's option; (c) Government plants leased to private operators under a cost plus fee basis; and (d) Government's option to buy.

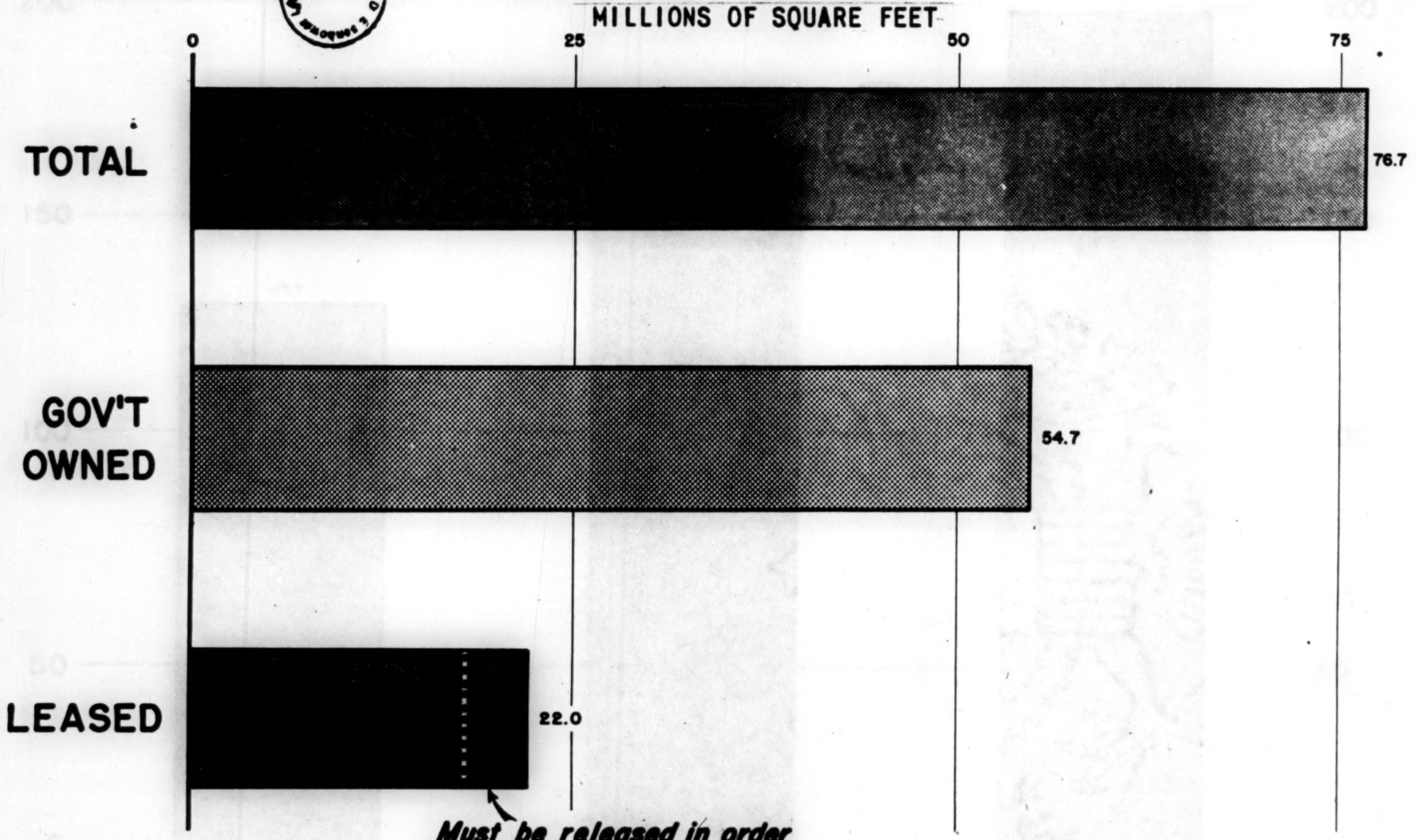
6/ Government plant contracts included in this figure (Graphite, $1,533,000; Magnesium, $90,009,000; and Nickel, $78,312,000) may be discontinued at any time on payment of appropriate shut-down costs.

7/ Government has option to close plants at any time on payment of appropriate shut-down costs.

GENERAL SERVICES ADMINISTRATION

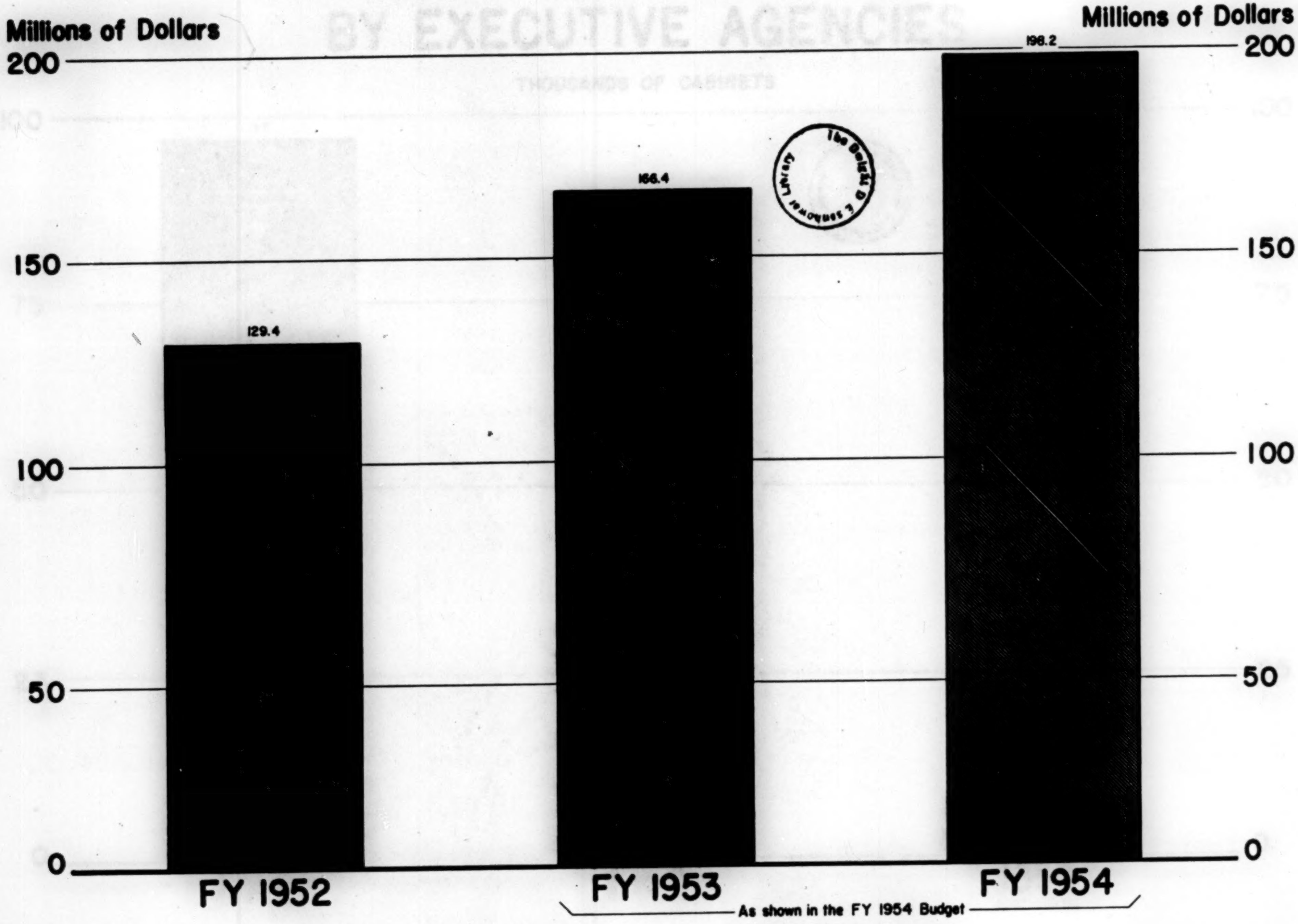
FEDERAL OFFICE SPACE

AS OF MAY 31, 1953



Must be released in order to conform to FY 1954 Appropriation 4.0

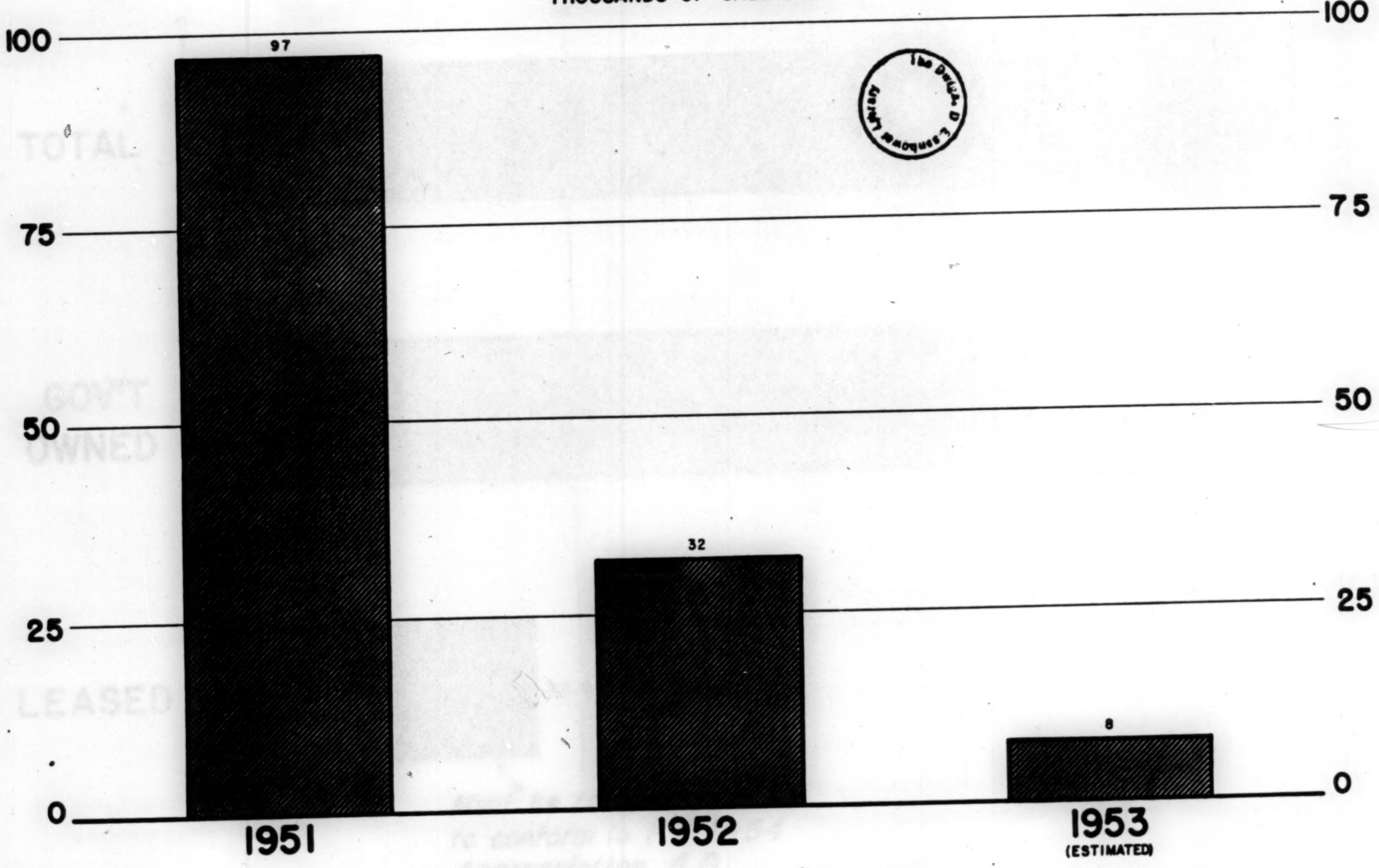
GENERAL SUPPLY FUND SALES



GENERAL SERVICES ADMINISTRATION

FILING CABINETS PURCHASED BY EXECUTIVE AGENCIES

THOUSANDS OF CABINETS



GENERAL SERVICES ADMINISTRATION
WASHINGTON

Dear Mr. Postmaster General:

Your Department is represented on the General Services Advisory Council, established August 24, 1950 with the approval of the President.

The Council advises the Administrator of General Services in developing policies directly affecting the physical plant of the Federal establishment as well as its continuing supply of materials and equipment.

A review of past activities convinces me the Council has rendered valuable service and should be utilized in the future on an increased scale.

I therefore ask you to designate your representative to attend a meeting I plan to call shortly. In the past, the Post Office Department has been represented by Mr. Walter Myers, Assistant Postmaster General, Bureau of Facilities.

The effectiveness of the Council in assisting me is almost wholly dependent upon the authority of members to speak with complete assurance that they reflect Department policy, and that their commitments can be relied upon without further review.

This is crucial to GSA because decisions must be arrived at readily and without the need for continuous review by individual Departments represented. Most of the matters considered are complex in nature and have Government-wide application.

Some of the problems before us at the moment include questions of policy on leasing space, its acquisition and disposal; legislation relating to real property; regulations for employment of equipment and supplies, centralized motor vehicle pools, and various other questions.

A Council, fully authorized to speak for the Departments, is an invaluable asset in carrying out the provisions of the Federal Property and Administrative Services Act of 1949, under which GSA operates.

Your immediate consideration of this matter will be most helpful and greatly appreciated.

Cordially yours,

The Honorable
The Postmaster General
Washington 25, D. C.

Identical letter, except as to designee mentioned in paragraph 4, furnished to each Member of the Cabinet.

THE WHITE HOUSE
WASHINGTON

August 24, 1950

MEMORANDUM FOR

THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF DEFENSE
THE ATTORNEY GENERAL
THE POSTMASTER GENERAL
THE SECRETARY OF THE INTERIOR
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE SECRETARY OF LABOR
THE CHAIRMAN, CIVIL SERVICE COMMISSION
THE FEDERAL SECURITY ADMINISTRATOR
THE GENERAL SERVICES ADMINISTRATOR
THE HOUSING AND HOME FINANCE ADMINISTRATOR
THE ADMINISTRATOR OF VETERANS' AFFAIRS

Attached is a copy of a letter I have written Jess Larson, Administrator of General Services, which is self-explanatory.

This Council is urgently needed now in order that important coordination might be accomplished. Therefore, I would like for you to ask the officer of your organization indicated in my letter to get in touch with Mr. Larson at once.

Harry S. Truman Library

Harry Truman

THE WHITE HOUSE
WASHINGTON

August 24, 1950

My dear Mr. Larson:

I approve of the suggestion you recently made concerning the establishment of a General Services Advisory Council, under your chairmanship.

The Council will advise and assist the Administrator of General Services in connection with such matters as the Administrator may request. It shall be the principal medium through which the Administrator carries out the requirements of section 205(h) of the Federal Property and Administrative Services Act of 1949, relating to advising and consulting with interested Federal agencies with a view toward obtaining their advice and assistance.

Further, I approve of the membership of the Council as proposed by you, which is, in addition to the Chairman, as follows:

Department or Agency	Representative
Department of State	Deputy Under Secretary of State (for Administration)
Department of the Treasury	Administrative Assistant Secretary of the Treasury
Department of Defense	Assistant to the Secretary (civilian)
Department of Justice	Administrative Assistant Attorney General

Post Office Department	Assistant Postmaster General in charge of Bureau of Facilities
Department of the Interior	Administrative Assistant Secretary of the Interior
Department of Agriculture	Assistant Secretary of Agriculture
Department of Commerce	Administrative Assistant Secretary of Commerce
Department of Labor	Administrative Assistant Secretary of Labor
Civil Service Commission	Executive Director
Federal Security Agency	Executive Assistant to the Administrator
General Services Administration	Director of Management
Housing and Home Finance Agency	Assistant Administrator (Administration)
Veterans' Administration	Assistant Administrator for Construction, Supply, and Real Estate

I understand you have made arrangements with the Director of the Bureau of the Budget for his representative to meet with this Council when matters of mutual concern are to be discussed.

Very sincerely yours,

Harry Truman

Honorable Jess Larson,
Administrator,
General Services Administration,
Washington 25, D. C.

General Cutler

THE WHITE HOUSE
WASHINGTON

File

AGENDA FOR CABINET MEETING

Friday, July 3, 1953

1. Drought and disaster situation. (The Secretary of Agriculture)

   Credit legislation — LOANS

2. Appropriation cuts affecting the Department of Health, Education and Welfare. (The President)

   SHANLEY -

3. Foreign developments: Bolivia, Brazil, Mexico. (The President) ✓

4. Civil Service developments. (The Chairman of the Civil Service Commission)

5. Administration Information Service -- the Walter Williams group). (The President)

Anniversary - July 10

Veterans Preference

KNOWLAND -

✓ LEG-LEADERS - TUES

MAP OF CRUCIAL AREAS

✓ M.S.A -

✓ Foreign Private Investments

✓ TOWE

✓ Civil Service Charts

✓ Wiley - Bricker Res:

~~Dempsey group for President~~

| | |||

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By GHC NLE, Date 7-28-76

MINUTES OF CABINET MEETING

July 3, 1953

8:00 A.M. to 10:20 A.M.

The following were present:

President Eisenhower

Vice President Nixon
Gen. Smith, Under Secretary of State
Sec. Humphrey
Mr. Kyes, Deputy Secretary of Defense
Attorney General Brownell
Mr. Hook, Deputy Postmaster General
Sec. McKay
Sec. Benson
Sec. Weeks
Sec. Durkin
Sec. Hobby
Mr. Flemming
Gov. Stassen

Mr. Dodge
Mr. Nelson Rockefeller
Gov. Adams
Mr. Shanley
Mr. Young
Gen. Persons
Mr. Cutler
Mr. Jackson
Mr. Hauge
Mr. Hughes
Mr. Morgan
Mr. Harlow

The Cabinet met with the President for breakfast and discussion of the agenda in the Mansion.

- - -

Consultants - The President noted that practices of the past Administration in regard to consultants had been continued. He requested Cabinet members to check the situation in their departments, particularly in regard to the authority of officials far down the line to call in consultants.

Education Appropriation - Mrs. Hobby discussed the drastic impact on the ability of the Office of Education to administer programs for which it is responsible, as a result of the $426,000 reduction made by the House in the Education appropriation. She noted that Congress did not hesitate to increase from $98 million to $234 million the appropriation for schools in areas affected by Federal activities. The President expressed his amazement that so serious a cut should be made against education, a basic function of government in a democracy. He forecast that every liberal, including himself, would take exception to the reduction, and he proposed that if the Cabinet did not object the Administration should take bold action to have the cut restored. The Cabinet agreed that the Administration should press for the restoration, and Gen. Persons will continue to work closely with Mrs. Hobby and Mr. Rockefeller for this objective.

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E.O. 11652, Section 1
By ______ NLE, Date 3-15-77

Minutes of Cabinet Meeting, July 3, 1953 - page 2.

Drought Crisis - Secretary Benson reported on his trip to the drought-stricken areas where he failed to find the anticipated dissatisfaction with Administration policies. The people he consulted urged only that the Federal Government help them to help themselves. He outlined the program undertaken to relieve the crisis by means of supplying surplus feed at prices in line with the market price of cattle, reduction of railroad freight rates, stepped-up purchases of beef by the Agriculture Department, and the introduction of legislation expanding farm credit opportunities. He noted that the livestock market has already begun to strengthen. He commented humorously that the real cure for the situation is increased rainfall, that he had promised more rain, and that since his visit they had had more rain!

Governor Stassen suggested that large surpluses of wheat should be kept on hand should the drought spread much further, and expressed concern that there should not be too great a reduction in wheat acreage for the coming year. Mr. Benson noted the bill introduced by Rep. Hope which would provide for sixty-six million acres rather than the maximum fifty-five million now set by law. Mr. Humphrey and Mrs. Hobby voiced their praise for the manner in which Mr. Benson has acted in this crisis.

Latin American Policy -

(a) General Policy - The President noted the generally unsatisfactory nature of American policy toward Latin America which has resulted from preoccupation with European and Asiatic affairs in recent years. He noted current difficulties in regard to Brazil, Bolivia, Mexico, and Panama. He urged that every department work closely with the Department of State on particular problems of concern to it. He stated the need for developing quickly an effective policy to replace one which he characterized as: "We put a coin in the tin cup and yet we know the tin cup is still going to be there tomorrow".

In regard to Brazil, the President noted that he had opposed the recent loan until he saw that the United States' good faith was involved; but now the loan does not seem to be working out as expected.

He stated that the Milton Eisenhower mission has had to go into Bolivia "empty handed" for lack of policy.

The President stressed the need for getting Latin American countries to search out private capital. Gen. Smith indicated that there is no difficulty in getting guarantees against expropriation from the Latin American governments but that the major problem is one of preventing double taxation. The President suggested also the possibility of developing greater consolidation and cooperation of Latin American economies, as has been urged for Europe.

(b) Bolivian Tin Purchases - Secretary Humphrey urged that the United States make an outright grant to Bolivia which could be used for developing agriculture or other aspects of an effective economy

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E.O. 11652, Section 1
By RHC NLE, Date 3-15-77

The Dwight D. Eisenhower Library

rather than continuing to purchase low-grade tin which cannot be smelted economically. Gen. Smith warned that such a policy would create much unemployment, which would foster the growth of Communism, and he urged continued stockpiling of tin. Gov. Stassen suggested that tin purchases be continued for one year while other more effective programs could be developed.

It was agreed that (a) purchase of Bolivian tin should be continued for one year to the amount of 10,000 tons; (b) MSA should be prepared to undertake a solution of the Bolivian economic situation at the end of that period; (c) the decision on purchasing tin after the one year should remain open for further discussion; and (d) the establishment of a study team and other projects agreed upon at the meeting with the President on July 2nd should be carried out.

(c) Mexico - Secretary Benson again outlined the hoof and mouth disease situation. Gen. Smith commented on the difficulties of securing the cooperation of the Mexican peasant, which has the political effect of limiting action by Government officials.

The President indicated, in regard to Mexico, that several people have urged him and the Administration to work through private channels rather than the existing government, and that he has merely passed this suggestion along to the State Department. The Vice President pointed to the success Gov. Shivers has had in working with the Mexican Government.

Civil Service - Chairman Young presented a series of charts showing the quantity and trends of Federal civilian employment; the distribution of civilian personnel in regard to geography; and efforts toward decentralization of hiring.

The President urged that Cabinet members give close attention to these charts concerning Civil Service activities and problems, which Mr. Young will distribute.

Bricker Amendment - The President called attention to allegations that he has compromised his position in regard to this amendment, and asserted that he has not in his own mind been inconsistent. He has always felt that treaties should not supercede the Constitution, that it is not necessary to amend the Constitution, but that a reiteration of the paramouncy of the Constitution could be accepted. He requested Mr. Brownell to consult with Mr. Dulles and to prepare as quickly as possible the letter which he wishes to send to Senator Wiley.

Administration Information Service - Gov. Adams outlined the project being developed by Gov. Pyle to organize a speech team to appear at meetings throughout the country. He also indicated the project being undertaken by Mr. Walter Williams which will bring together information for use by the White House and the Administration generally, the Republican National Committee, reactivated Citizens' Groups in critical Congressional districts, and the Pyle Committee.

Cabinet Members were requested to refer to Mr. Walter Williams' office any invitations to speak which may be received but cannot be accepted by them.

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E.O. 11652, Section 1
By BHC NLE, Date 7-28-76

Presidential Appointments - The President commented on Chairman Leonard Hall's broad approach to problems of the Administration. He noted the gap in geographic distribution of Presidential appointments, and he suggested that Walter Williams might consult with Chairman Hall in efforts to overcome this deficiency.

LAM

(Reported by Minnich. Copies only to
Mrs. Whitman and to Minnich.)

~~CONFIDENTIAL~~

DEPARTMENT OF
HEALTH, EDUCATION, AND WELFARE
~~THE FEDERAL SECURITY AGENCY~~

WASHINGTON

~~Office of~~
~~THE ADMINISTRATOR~~

Office of
THE SECRETARY

July 3, 1953

MEMORANDUM FOR THE CABINET

More than three-quarters of the budget of the Department of Health, Education and Welfare represents grants to states for public assistance which are an obligation of the government and therefore cannot be controlled by the Secretary from a budgetary point of view. Thus, while President Truman submitted a budget to Congress for this Department of $1,786,000,000, only $440 million of it was subject to budgetary reductions.

After a careful review of every item in this $440 million, I was able to recommend cuts totaling approximately $64 million. This represented the maximum savings which I felt could be made in the Department of Health, Education and Welfare without seriously jeopardizing the services of the Department to the American people.

However, the Senate Appropriations Committee has recommended additional cuts totaling $10,680,000 and the House, $19,066,000. In my opinion, these cuts will seriously jeopardize some of these services and will suggest a lack of concern on the part of the new administration for the needs of the people in these areas. (Increases in certain grants, as distinct from services, were made, which were not requested, amounting to more than $19 million by the Senate and $8,770,000 by the House)

Following is a list of the principal areas where service to the people will be seriously curtailed by these reductions:

1. Office of Education, where a reduction of $426,000 (15%) in salaries and expenses will eliminate about 50 positions in addition to approximately 70 which were eliminated this past spring. Hardest hit in the Office of Education will be the services to State and local school systems which are the heart of the work which the Office of Education was originally created to undertake. The provision of factual information and technical advice is the basis of the leadership which

the Office should provide so as to promote the maximum acceptance of responsibility by the States and local communities for the improvement of education in the country. (See attached Memorandum No. 1)

2. Food and Drug Administration, where the House made a 11% reduction in the appropriation for inspection and enforcement operations in the face of steadily mounting workloads of the Food and Drug Administration. A 4% restoration by the Senate Committee still leaves the program of protection against hazards of dangerous drugs, filthy and decomposed foods, and economic frauds at below a level consistent with the public interest. (See attached Memorandum No. 2)

3. Office of Vocational Rehabilitation, where a reduction of 5% does not appear to be drastic, but is a backward step in the program where the investment of rehabilitation funds results in a several-fold return on the investment to the Federal treasury. (See attached Memorandum No. 3)

4. Other spots, such as the Children's Bureau and the Bureau of Public Assistance in the Social Security Administration, and Public Health Service hospitals and sanitation programs also have had hard sledding. Probably two additional Public Health Service hospitals--at Detroit and Memphis--will have to be closed. Two hospitals have already been closed under the revised budget of this Department. (See attached Memorandum No. 4)

5. Office of the Secretary, where an additional reduction of 12% or approximately $150 thousand will curtail the possibilities for a much needed review of policy and organization, and a pulling together of the widely diversified and virtually atonomous activities within the Department. These were among the primary objectives of the President's Reorganization Plan No. 1. (See attached Memorandum No. 5)

In summary, while it cannot be said that the appropriation action of the Congress will have crippling effects in more than one or two places, the reductions make it very difficult to do a really creditable job in respect to activities in which there is a tremendous amount of public interest.

Oveta Culp Hobby

Secretary

Attachments

MEMORANDUM

NO. 1 - OFFICE OF EDUCATION

The critical financial condition of the Office during the last half of fiscal year 1953 was due mainly to the failure of Congress to appropriate funds for the Veterans Educational Services Program undertaken by the Office pursuant to Public Law 550, the so-called G. I. Bill for Korean Veterans. This Act became effective August 20, 1952 after adjournment of the 82nd Congress. In accordance with its provisions, and, in cooperation with the General Counsel's Office, an agreement was developed with the Veterans' Administration covering the duties to be performed by the Office of Education.

Following prescribed procedure, we presented a supplemental budget estimate to the Budget Bureau to provide staff and operating funds for our statutory duties as outlined in the written agreement with the Veterans' Administration. In August 1952, the Budget Bureau approved $289,000 and a staff of 55 persons and authorized operation on a deficiency basis pending action by Congress on the supplemental budget.

The new Congress held hearings on the supplemental budget but did not approve any funds for the operation of the program. Immediately after the Congressional action (March 19, 1953) the Office proceeded with a reduction in force to meet the expenses of the Veterans Educational Services Program. All 43 positions in this Program were abolished and the staff dropped. In addition, it was necessary to abolish 28 filled and unfilled positions in other programs of the Office. Travel, printing, and other controllable expenses were frozen. A furlough of the Office staff was avoided by the Congressional approval in June 1953 of a supplemental budget for $32,000.

Congress has currently under consideration $2,500,000 for salaries and expenses of the Office of Education for fiscal 1954. This amount is $426,000 below the revised budget recommended by the administration. A further problem is created by action of the Senate Appropriations Committee in earmarking $480,000 of the $2.5 million for the Division of Vocational Education, an increase of $30,000 above that recommended in the President's estimate. We are in process of a reduction in force at this time to come within the $2.5 million allowance. From 47 to 50 positions are being dropped, most of which are filled.

MEMORANDUM

NO. 2 - FOOD AND DRUG ADMINISTRATION

This refers to your request for a statement of the effect on our program of the reduction of $448,000 below the revised budget estimate recommended by the Senate Committee on Appropriations.

We regard our present work on health hazards as at an irreducible minimum. We had planned to increase our work on the adverse side effects of potent new drugs, and also on the promiscuous sale of dangerous drugs. Both areas are fertile fields for preventing injury and loss of life. No predistribution tests of a new drug can accurately predict whether some users may suffer serious or fatal side effects when it is taken by millions of patients. More thorough investigation of hospital records would permit earlier discovery and prompter action when harmful effects occur. The promiscuous sale of sleeping pills and of new potent drugs is a growing menace. These expansions would have to be abandoned under the Committee's allowance.

Actions would have to be curtailed by some 15 to 20 per cent against filthy and deomposed foods, of which an average of 164 tons is now being removed from the market weekly.

Much greater curtailment would be required of the work on economic frauds, such as short-weight and injection of poultry with water, which is a by-product of other investigations and now amounts to about one-fifth of our total activity.

This work on frauds alone now saves to consumers several times our total appropriation of 3.5 cents per capita. In addition, consumers benefit even more substantially from protection against health hazards and insanitary products.

MEMORANDUM

NO. 3 - OFFICE OF VOCATIONAL REHABILITATION

The Senate Appropriations Committee has recommended $21,850,000 for grants to states for vocational rehabilitation. This is a reduction of $1,150,000 below both the original and revised budget estimates, and below the amount approved by the House. It is a cut of $400,000 below the appropriation for fiscal year 1953.

Translated in direct services to people, the picture is something like this: At least 3,400 fewer handicapped persons will be rehabilitated. Nearly 700 of these would have been taken from the relief rolls at an annual saving of about $500,000. There will be a loss of over $6 million in annual earnings and nearly a million dollars in federal income taxes alone. But most important, there will be a "slow up" in the effort which has been gathering momentum steadily to rehabilitate more severely disabled relief recipients. We can ill afford any "slow up" in this program.

This reduction of $1,150,000 would cut the state rehabilitation programs below present operations. It is particularly serious now, as this has been a legislative year in all but a few states. With a few exceptions, legislatures have already adjourned. Many states, in spite of strong economy moves, have granted increases to state vocational rehabilitation agencies. A reduction in federal support to the very states that have secured increases will mean sharp dislocations in services. States have been recognizing the need for larger state financial support and are giving it, but for the most part they would have no opportunity to make up this deficit until 1955.

This is one of the few programs of service which is financed by the Department which reflects direct money increases in the national economy as a result of meeting deep-seated human needs.

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The Senate Committee also recommended a cut of $34,500 in our Salaries and Expenses from $690,000. While any cut in our small appropriation is serious, and this 5 per cent recommended reduction would necessitate a cut in our staff of five or six people, we will absorb this as wisely as we can. It is much more important for the program that you give your efforts to the restoration of the cut in grants to states.

MEMORANDUM

NO. 4A - SOCIAL SECURITY ADMINISTRATION

In accordance with your request I am setting out as briefly as possible the consequences of the cuts made in those appropriation estimates of the Social Security Administration where the effects would be very serious:

Salaries and Expenses, Children's Bureau

Revised 1954 Estimate	House Allowance	Senate Committee Allowance
$1,550,000	$1,500,000	$1,450,000

The $100,000 reduction by the Senate Appropriations Committee, if allowed to stand, will mean a substantial curtailment of most Children's Bureau services and the complete elimination of certain areas of work.

The cut would require the elimination of 16 positions — 7 in the regional offices and 9 in Washington. In the regional offices this would reduce by over 10 percent the positions which carry responsibility for work with the States in developing and carrying out plans for the use of Federal funds for maternal and child health, crippled children, and child welfare services. The complete elimination of the Children's Bureau health staff and welfare services staff in one regional office would appear inevitable.

In the central office a variety of activities would have to be eliminated. A specialist in program reviews, important in evaluating effectiveness of local services and use of Federal funds would need to be abolished as well as a pediatric nurse position now available for local consultation with hospitals, well-child clinics, etc. In addition the funds available for preparation and printing of informational publications for parents would be reduced.

The Children's Bureau has been cut from 300 positions in 1947 to 234 at present. The loss of another 16 positions in 1954 would result in spreading even thinner a staff which is already inadequate to fully cope with increasing requests for specialized service and consultation on matters pertaining to the health and welfare of children. This, in view of a rapidly increasing child population and increasing concern over problems such as juvenile delinquency, merits serious consideration of restoration of the $100,000 reduction.

Salaries and Expenses, Bureau of Public Assistance

Revised 1954 Estimate	House Allowance	Senate Committee Allowance
$1,650,000	$1,600,000	$1,550,000

The Senate Committee allowance of $1,550,000 represents a reduction of $100,000 under the revised estimate for 1954 and $50,000 below the 1953 appropriation. The increase of $50,000 provided in the 1954 revised estimate was intended to provide additional staff for the function of reviewing State and local operations. This review -- even though performed on a limited basis -- provides the means of determining that State practices conform to the requirements of the Social Security Act and that continued Federal financial participation is warranted. Particular attention in the review is directed towards a sampling of recipient cases which will provide a valid inference as to the eligibility of recipients and an identification of the nature and location of eligibility problems. The Bureau's inability to review States' operations on a more comprehensive basis has recently been a subject of congressional concern. However, the funds available during 1953 were not sufficient to permit an extension of the review. Consequently an increase over the 1953 appropriation was requested for this purpose.

The reduction of $100,000 proposed by the Senate Committee would not only eliminate the staff recommended for a more comprehensive review of State operations but would require a reduction of 10 positions below that authorized in 1953. This would require a curtailment in virtually all areas of the Bureau's work including the administrative review function.

MEMORANDUM

NO. 4B - PUBLIC HEALTH SERVICE

Hospitals and Medical Care. The pending bill reduces the medical care programs by $1,551,000 below the revised estimates of this Department. This reduction will require the closure of two additional hospitals, possibly Detroit, Michigan, and Memphis, Tennessee. This would leave Chicago as the only facility for in-patient care in the Great Lakes area and would eliminate the only in-patient care facility on the inland rivers. In-patient service to merchant seamen in these areas would accordingly be limited to emergencies.

Engineering, Sanitation, and Industrial Hygiene. Although the Senate Appropriations Committee's recommendation of $3,325,000 will permit continuation of certain vital services in addition to those possible under the House Bill of $3,000,000, the net reduction in the Senate Bill of $525,000 below the Department's budget of $3,850,000 for this activity will seriously curtail operations in the fields of basic sanitation, upon which depend the everyday living of the whole population.

Reductions in the stream pollution control activities at a time when this vital resource is increasingly burdened by industrial mobilization, reductions in industrial hygiene activities at a time when able-bodied, skilled manpower is at a premium, and reduction in research in environmental health problems, just when the research building at Cincinnati has been completed, will result.

As a footnote, may I point out the serious impairment to our scientific work which will result from the $100,000 limitation on the entire Department proposed for attendance at meetings. The conduct of research necessitates participation in scientific assemblies where information on research is exchanged and ideas are developed.

MEMORANDUM

NO. 5 - OFFICE OF THE SECRETARY

For "Salaries and Expenses, Office of the Secretary" (HEW), the Senate Appropriations Commitee report recommends that the following reductions in personnel be made, as compared with the budget request of this Department: Committee on Aging - 4; International Program - 1; Personnel Office - 3; Service Operations and Library - 12; Federal-State Relations - 1; Budget Division - 4; Administrative Methods - 2; Other - 4.

While none of these reductions by themselves can be said to have a crippling effect, these reductions will make it much more difficult to achieve the kind of management improvement which you are committed to, and which the Congress expects of this Department.

To give one or two specific examples: The General Accounting Office strongly urged the Bureau of the Budget to increase the allowance of funds substantially for the budget and fiscal office of the Department in order to carry out a strengthened program of fiscal accounting, including internal audits. No funds are included in the House or Senate Committee allowances for this purpose. Likewise, the effort to improve property management throughout the Department jointly with the General Accounting Office and the General Services Administration will be substantially weakened unless we are able to furnish our share of the personnel. Personnel supervision, service operations, and supervision of the international program would likewise be hampered by having to reduce below economical levels.

Requests from States and communities for advice and help are rapidly mounting in respect to the problems of aging people. If the States are to accept their full responsibility for this increasing problem so that the future cost to the Federal Government for aged people can be diminished, then the Federal Government should provide the States with the kind of advice which they are now seeking. The reduced budget will not permit the Department to provide nearly as much of that kind of advice.

Large backlogs of work exist in the office of the Legal Counsel and in the Auditing Division. The budget reductions will cause these backlogs to increase markedly.

THE WHITE HOUSE
WASHINGTON

July 3, 1953.

THE ASSISTANT TO THE PRESIDENT

PERSONAL AND CONFIDENTIAL

Dear Governor Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet meeting:

Personnel - Cabinet members were requested to review and make any necessary modifications of the practices in their departments concerning the appointment of consultants.

The President urged that Cabinet members give close attention to the set of charts concerning Civil Service activities and problems, which Mr. Young will distribute.

Ed

Administration Information Service - Cabinet members were requested to refer to Mr. Walter Williams' office any invitations to speak which may be received but cannot be accepted by them.

note
S

Excerpt
WMR

Bolivian Tin Purchases - It was agreed that (a) purchase of Bolivian tin should be continued for one year to the amount of 10,000 tons; (b) MSA should be prepared to undertake a solution of the Bolivian economic situation at the end of that period; (c) the decision on purchasing tin after the one year should remain open for further discussion; and (d) the establishment of a study team and other projects agreed upon at the meeting with the President on July 2nd should be carried out.

Latin American Policy - The Department of State will press its effort to develop an effective policy statement as the basis for improving our relations with Latin American countries.

The President requested all departments to work closely with the Department of State on problems of particular concern to each.

Sincerely,

Bernard M. Shanley
BERNARD M. SHANLEY
Acting Assistant

Honorable Harold E. Stassen,

Director for Mutual Security.

DRAFT A

THE WHITE HOUSE

Dear Senator Thye:

As the appropriation for the Department of Health, Education, and Welfare is being considered by the Senate, I should like to bring to your attention a very important new responsibility that is about to be placed upon that Department. It is the responsibility of furnishing an important part of the background information and technical assistance to the new Commission on Inter-governmental Relations which was established by the Congress last week.

In my message to Congress requesting legislation to set up this Commission, I pointed out that the "activities between federal and state governments, including their local subdivisions, is the product of more than a century and a half of a piecemeal and often haphazard growth" and stressed the necessity of making "a thorough study of grant-in-aid activities" and "the need to review and assess with prudence and foresight the proper relations of the state and local governments."

The Commission must get under way with rapidity if it is to "complete its report in time for consideration by the next session of Congress" as I suggested in my message.

The Honorable
Edward J. Thye
United States Senate
Washington 25, D. C.

In order to make this possible, much of the work of providing the Commission with basic information and technical assistance will fall on the Department of Health, Education, and Welfare. It is predicted that maybe as much as two-thirds of the problems with which this Commission will concern itself may fall within the subject-matter area for which the Department is responsible. This means that as soon as it is formed, the Commission and its staff will seek assistance from the Department of Health, Education, and Welfare.

Because of the many important policy questions involved, the Office of the Secretary of the Department of Health, Education, and Welfare must be in a position to gather and make available the kind of data, analyses and technical help for which the Commission will be asking.

In view of this situation, I hope the Congress will appropriate to the Office of the Secretary of the Department of Health, Education, and Welfare a special fund in the amount of $200,000 which is needed to render these important services.

In my opinion, affirmative action on this request is essential if the Commission is to meet its goals both in relation to the scope of its work and the completion date of its report.

Sincerely,

In order to make this possible, much of the work of providing the Commission with basic information and technical assistance will fall on the Department of Health, Education and Welfare. It is predicted that maybe as much as two-thirds of the problems with which this Commission will concern itself may fall within the subject-matter area for which the Department is responsible. This means that as soon as it is formed, the Commission and its staff will seek assistance from the Department of Health, Education and Welfare.

Because of the many important policy questions involved, the Office of the Secretary of the Department of Health, Education and Welfare must be in a position to gather and make available the kind of data, analyses and technical help for which the Commission will be asking. This will be in addition to the responsibilities for improved management and policy review which are expected of the Secretary of the newly created Department.

In view of this situation, I hope the Congress will appropriate to the Office of the Secretary of the Department of Health, Education and Welfare the full amount of the revised budget -- $1,226,000 -- which will be needed to render these important services.

In my opinion, affirmative action on this request is essential if the Commission is to meet its goals both in relation to the scope of its work and the completion date of its report.

Sincerely,

DRAFT B

THE WHITE HOUSE

Dear Senator Thye:

Although education is primarily the responsibility of the States and local communities, the Federal Government has for many years assumed the responsibility of assisting the States, by research, publication, consultation, and, in case of need, by grants-in-aid, to sustain and strengthen our system of popular education. For more than eighty years the Congress has required the Office of Education to diffuse "such information respecting the organization and management of schools and school systems and methods of teaching as shall aid the people of the United States in the establishment and maintenance of efficient school systems, and otherwise promote the cause of education throughout the country."

Last Thursday Dr. Lee M. Thurston was sworn in as the new Commissioner of Education in the Department of Health, Education and Welfare. I have every confidence in his ability to provide leadership as Commissioner if the means are available. But I fear that the budget retrenchment proposed for that Office will seriously hamper its power for effective action.

The Honorable
Edward J. Thye
United States Senate
Washington 25, D. C.

The Committee on Appropriations has recommended a reduction of $426,000 for the Office for which Dr. Thurston has now assumed responsibility. This proposal would reduce my recommendation of $2,926,000 to $2,500,000. I believe this proposed reduction will seriously cripple the services of the Office to American education, and this would of course happen at the very time when the needs of our schools, colleges and universities are greater than ever before in our history.

I hope, therefore, that it will be possible on the floor of the Senate to restore the full amount of $2,926,000 originally recommended in the Presidential budget for the Office of Education.

Sincerely,

THE WHITE HOUSE
WASHINGTON

AGENDA FOR CABINET MEETING

Friday, July 10, 1953

1. The Foreign Ministers' Meeting. (The Secretary of State)
2. Status of Agricultural Surplus Legislation. (The Director of the Budget)
3. The Richards Amendment. (The President)
4. Report on interim action under the Buy American Act. (The Secretary of State)
5. Policy with respect to selection of books for overseas libraries. (The Secretary of State)
6. Administration commitments with respect to copper and other strategic materials. (The Director of Defense Mobilization)
7. Pending legislation on grazing matters. (The Secretary of Agriculture)

MINUTES OF CABINET MEETING

July 10, 1953

8:30 A. M. to 10:35 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Mr. Dulles
Mr. Humphrey
Mr. Wilson
Deputy Attorney General Rogers
    (for Mr. Brownell)
Mr. Summerfield
Mr. McKay
Mr. Benson
Mr. Weeks
Under Secretary Mashburn
    (for Mr. Durkin)
Mrs. Hobby

Mr. Allen Dulles, CIA (for
    part of the meeting)
Mr. Flemming
Chairman Young
Gov. Adams
Gen. Persons
Mr. Shanley
Mr. C. D. Jackson
Mr. Cutler
Mr. Hagerty (briefly)
Dr. Hauge
Mr. Hughes
Mr. Morgan

The Cabinet commemorated the anniversary of the nominations made at the Republican National Convention at Chicago by presenting to the President a set of lures for his fishing pleasure and to the Vice President a desk pen set.

The President, Secretary Benson, Governor Adams, and party left immediately thereafter for Texas to meet with the Governors of the drought-stricken areas.

- - - -

Foreign Ministers Meeting - The Secretary of State reported that the Foreign Ministers would be concerned primarily with means of taking advantage of the situation in Russia and the problems of German unity, also with Indo-China, Egypt, and finally the possibility of developing a political structure in conjunction with NATO.

In response to Secretary Humphrey's query, Mr. Dulles pointed out that the apparent weakening of Russia had the effect in Western Europe of decreasing the urgency of EDC and would undoubtedly cause delay. Secretary Humphrey also expressed interest in the possibilities of taking a forward step at this critical time to exploit the Russian situation.

Secretary Dulles described the implications of the Richards Amendment concerning expenditure of MSA funds in Western Europe as having both favorable and unfavorable aspects. He noted that it had been decided not to oppose further this amendment, which will probably be approved by Congress.

Mr. Wilson commented favorably on the proposal for a political structure for NATO.

Mutual Security Legislation - Governor Stassen expressed his confidence that the Mutual Security appropriation would provide sufficient funds for carrying out all the NSC recommendations. In response to a question from the Vice President, he indicated that Congressional approval of flexibility for administration of the appropriation would offset some minor reduction of funds.

Situation in Russia - Mr. Allen Dulles characterized the ousting of Beria as a tremendous shock to the Russian people, suggested that the army may be augmenting its power, and advised that this development does not necessarily mean that Malenkov has consolidated his position.

(Mr. Allen Dulles left the meeting after this discussion.)

Mr. C. D. Jackson spoke briefly on the great opportunity presented by the Beria affair for developing passive resistance in the satellite states and on the desirability of presenting the Russian Government with a series of notes concerning food, atrocities, trade unions, and slave labor. He hoped that the Foreign Ministers meeting would produce a resounding statement for German free elections.

Agricultural Surpluses - Mr. Dodge reported on the agreement reached for a modified Fulton amendment to the Mutual Security authorization to provide for expenditure of a limited amount of Mutual Security funds for utilizing American agricultural surpluses abroad. The amendment specifies that the United States will take the direction of 100 per cent instead of the customary 10 per cent of counterpart funds made available in exchange. A continued effort will be made for general legislation for utilizing agricultural surpluses, as suggested in the Hope and Aiken bills.

Buy American Act - Secretary Weeks expressed the agreement of the Commerce Department to the proposed Executive Order establishing a 5 per cent differential as a guide to purchasing under the Buy American Act. He stated that this was done reluctantly, for Commerce would have preferred a 10 per cent to a 5 per cent differential if any action had to be taken now. He suggested that the matter should be cleared with the Legislative Leaders, that it contravened the implicit Administration policy of delaying action while the study on foreign economic policy proceeds, and that action might better be taken by Congress where a bill for the repeal of the Buy American Act is now in Committee.

Secretary Dulles indicated that Commerce Department approval completed the agreement to the proposed order by the members of the Cabinet Subcommittee appointed in May. He expressed his hope that the visiting Foreign Ministers could be informed of this on a confidential basis.

Secretary Humphrey expressed support for Mr. Weeks' suggestion for delaying action until the Joint Commission study is completed. He described the situation of American manufacturers of electrical equipment as being critical because of keen foreign competition based on cheap labor. Secretary McKay concurred in this.

Secretaries Wilson and Dulles and Under Secretary Mashburn joined in urging approval for the Executive Order as being essential to world trade and American foreign relations. Mr. Wilson expressed the belief that American electrical equipment is priced much too high.

It was agreed that action should be held up pending discussion with Congressional leaders and presentation to the President at the next Cabinet meeting.

Information Center Libraries - Secretary Dulles commented briefly on the recent statement of Mr. Robert Johnson concerning the policy on books in American Libraries abroad. He emphasized that solution of the problem will actually depend upon its administration by the person chosen to direct the new Information Agency.

The Cabinet discussed at length what should be the purpose of American libraries abroad and what policy should govern the selection of the books. Mr. Wilson suggested the possibility of getting the Government out of the business of operating these libraries. Messrs. Dulles and Stassen defended the responsibility of the Government in this respect and urged that the libraries should be allowed to contain any books deemed suitable for libraries in the United States, but that public money should not be expended to acquire books alien to the purposes of the libraries. Secretaries Hobby and Humphrey urged that the function of the libraries should be limited to presenting "Americana".

The Vice President forecast that Congress would never vote funds for general purpose libraries and that when the appropriation for Information Services came up again there would have to be a rider to the effect that any one who refused to testify before a Congressional Committee should not have his books on the shelves of U.S. libraries abroad.

Mr. Jackson suggested that the Johnson memorandum seemed the most practical solution to the problem, for it provided that future selection of books would be in accord with existing law and it avoided ordering a screening of books already on the shelves, a practice which would lower the prestige of the United States.

Stockpiling and Procurement Policies - Mr. Flemming presented a chart showing materials stockpile objective and purchase commitments. In brief, the report showed a total estimated cost of \$5.9 billion, a maximum financial exposure of outstanding commitments of \$3.6 billion, and probable ultimate net costs of outstanding commitments at \$476,000 (round figures).

(Reported by Minnich. Copies only to
Mrs. Whitman and Minnich.)

THE WHITE HOUSE
WASHINGTON

July 10, 1953.

PERSONAL AND CONFIDENTIAL

Dear Governor Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet meeting:

Agricultural Surpluses - Mr. Dodge reported the agreement with Congressional leaders on a modified version of the Fulton Amendment to the Mutual Security authorization to provide for use of a limited amount of Mutual Security funds for making United States agricultural surpluses available to other nations in return for counterpart funds. Efforts will be continued to secure general legislation for utilization of agricultural surpluses.

Mutual Security Legislation - Governor Stassen reported on the status of the authorization and appropriation bills and indicated the likelihood of Congressional approval for the Richards Amendment.

Buy American Act - The proposed interim action concerning the Buy American Act will be discussed with the Legislative Leaders at the next conference and will be taken up again at the next Cabinet meeting.

Sincerely,

Paul T Carroll
PAUL T. CARROLL
Acting Staff Secretary

Honorable Harold E. Stassen,
Director for Mutual Security.

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, July 17, 1953

1. Formulation of Administration Program. State of the Union Message.
(The President)

2. Developments of the Week.
(The Secretary of State)

3. Pending Legislation on Grazing Matters.
(The Acting Secretary of Agriculture)

4. Presentation of General Budget Objectives.
(The Director of the Budget)

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 4-28-77

MINUTES OF CABINET MEETING

July 17, 1953

10:00 A. M. to 12:10 P. M.

The following were present:

President Eisenhower

Vice President Nixon
Secretary Dulles
Secretary Humphrey
Secretary Wilson
Attorney General Brownell
Postmaster General Summerfield
Under Secretary Tudor
    (for Mr. McKay)
Assistant Secretary Earl Coke
    (for Mr. Benson)
Secretary Weeks
Secretary Durkin
Secretary Hobby

Mr. Dodge
Mr. Flemming
Gov. Stassen
Amb. Lodge
Mr. Young
Gov. Adams
Gen. Persons
Mr. Shanley
Dr. Hauge
Mr. Morgan
Mr. Hughes
Mr. Williams
Mr. C. D. Jackson

Next Cabinet Meeting - Because of the conflict with the Quantico meeting, Cabinet members were requested to indicate to Gov. Adams or the Staff Secretary by Wednesday noon, July 22, their requirements for a Cabinet meeting next week. Decision as to whether there will be a meeting will be made known late Wednesday afternoon.

Public Opinion - Amb. Lodge reported on a recent trip to Los Angeles and presented a memorandum on public opinion as he observed it. This emphasized the need for greater publicity for Administration accomplishments, particularly the development of Administration foreign policy.

State of the Union Message - The President requested each Cabinet member to submit preferably by October 1st and no later than October 15th a memorandum setting forth the material concerning his own department which is to be included in the State of the Union message. These memoranda should include statements of new programs planned whether they require legislation or not.

The President indicated that he may not deliver the message in person should it become voluminous, and the Vice President agreed that Presidential appearances before Congress should be limited to dramatic occasions.

Foreign Ministers Meeting - Secretary Dulles discussed briefly the results of the Foreign Ministers Meeting and indicated that the

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By gHC NLE, Date 4-28-77

communique pretty well reflected the content of the meeting. He stressed such things as the unity of the Three Powers, the political development of NATO, continued priority for EDC, the Four Power Conference, German unity, future cooperation in Korea should fighting be renewed, and French recognition of continued responsibility for Indo-China.

Korean Truce Negotiations - Secretary Dulles reported briefly on the success of the Robertson mission as a result of Robertson's patient but firm handling of Syngman Rhee.

Bricker Amendment - Secretary Dulles urged that a decision be reached in regard to the Bricker Amendment for either eliminating action this session or making the President's position known unequivocally to all Senators. Governor Stassen joined with Secretary Dulles in asserting that the Bricker Amendment could be beaten, particularly since Sen. Bricker was defeated on the NATO Status of Forces question, and they agreed that it was more desirable to defeat it completely rather than joining in a watered-down version.

The President reviewed his position in regard to opposing amendment of the Constitution by treaty and emphasized the need for consideration of public opinion which would not be silenced merely by complete defeat of the Bricker Amendment.

The Attorney General reviewed the progress of negotiations and was joined by the Vice President in suggesting that Senator Bricker would, as a result of the NATO Status of Forces vote, probably be willing to accept the Administration language. Mr. Brownell commented that to beat the Bricker Amendment entirely would result in a serious split in the Republican Party.

It was agreed that Mr. Brownell should continue his discussions with Senate leaders for a solution consistent with the language presented by the Attorney General to the Republican Policy Committee.

Simpson Bill - Secretary Dulles indicated the likely passage of the Simpson bill by the House and warned concerning the serious reaction of foreign nations against this bill, for its provision for higher tariffs on zinc, lead and petroleum would be taken as an expression of American intent against greater freedom of trade.

Secretary Humphrey, Mr. Dodge, and Mr. Morgan reviewed the circumstances connected with extension of the Reciprocal Trade Agreements Act which resulted in allowing the current Simpson bill to reach the floor of the House. Mr. Morgan indicated that the Simpson bill would not be taken up in the Senate.

Secretary Humphrey noted that the Administration is already on record in opposition to the bill. Mr. Brownell warned against laying the Administration open to a serious reversal by virtue of any new proclamation against the bill, and he noted serious future effects of any attempt by the Administration at this time to negate Speaker Martin's agreement with Mr. Simpson.

It was agreed that an effort should be made to minimize the effect of the probable House action by securing a non-record vote, by

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 7-28-76

having Senator Knowland indicate that it would not come up in the Senate this session, and by a subsequent Administration pronouncement.

In the discussion Secretary Wilson commented on the folly of forcing the United States to use up its own vital resources, and also on the difficulty of securing reversal of a position held by Republicans on a policy which has been wrong since World War I.

National Debt - Secretary Humphrey indicated that he had talked with Speaker Martin concerning possible reinstatement of the $300 billion limitation on the national debt. He indicated several alternative measures which would be effective for this year only. It was agreed that the Administration should face the situation and request shortly before recess restoration of the $300 billion ceiling.

Grazing Legislation - Acting Secretary Coke reported on efforts being made to work out legislation which would establish similar practices in both the Interior and Agriculture Departments. He indicated the desirability of averting the introduction at this time of legislation sponsored by Senator Barrett.

Governor Adams noted plans for meeting with Messrs. McKay, Benson, Hope, Aiken, Dodge and Flemming to shape up more comprehensive legislation, and he undertook to consult with Senator Barrett.

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(Since the last item on the agenda had previously been presented at an NSC meeting, only the following remained for Mr. Dodge's presentation: Weeks, Brownell, Stassen, Coke, Summerfield, Durkin, Young, Williams, Persons, Morgan, Lodge, and Hauge.)

Budget Outlook for FY 1955 - Mr. Dodge presented a series of charts indicating the probable deficit of $6.2 billion for FY 1955, assuming expenditures at the same level as 1954 and assuming approval for the tax program already recommended by the President. Under these circumstances, additional reductions in expenditures of 10 - 11% will be necessary to achieve a balanced budget.

In another approach, Mr. Dodge reached the conclusion that approximately $40 billion would be available for defense, foreign aid, and atomic energy. This approach allowed for intelligent tax reform and an outright tax reduction for individuals.

Mr. Dodge concluded that the essential requirement is a progressive reduction of expenditures during this fiscal year in order to avoid another violent readjustment in 1955.

L.A.M.

(Reported by Minnich. Copies only to
Mrs. Whitman and Minnich.)

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THE WHITE HOUSE
WASHINGTON

July 17, 1953.

PERSONAL AND CONFIDENTIAL

Dear Governor Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet meeting:

Next Cabinet Meeting - Because of the conflict with the Quantico meeting, Cabinet members were requested to indicate to Governor Adams or the Staff Secretary by Wednesday noon, July 22, their requirements for a Cabinet meeting next week. Decision as to whether there will be a meeting will be made known late Wednesday afternoon.

State of the Union Message - The President requested each Cabinet member to submit, preferably by October 1st and no later than October 15th, a memorandum setting forth the material concerning his own department which is to be included in the State of the Union Message. These memoranda should include statements of new programs planned whether they require legislation or not.

Bricker Amendment - It was agreed that Mr. Brownell should continue his discussions with Senate leaders for a solution consistent with the language presented by the Attorney General to the Republican Policy Committee.

Simpson Bill - The Administration will consult with the Legislative Leaders concerning means of minimizing or averting the adverse foreign reaction which would follow upon House approval of the Simpson Bill.

Sincerely,

Paul T Carroll
PAUL T. CARROLL
Acting Staff Secretary

Honorable Harold E. Stassen,

Director for Mutual Security.

13 November '53

THE WHITE HOUSE
WASHINGTON

Possible Cabinet Item

New Grazing Legislation

In July, the current efforts were mentioned at Cabinet. The subject remains live.

Interested parties are Benson, McKay, Dodge, Flemming (Reorganization of Forest Service and Bureau of Land Management) and appropriate Congressional Committees.

Ralph Cake is very active in this. Hauge and Jerry Morgan were recently alerted to the need for policy formulation in this field.

The Secretary of State

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, July 31, 1953

1. **Power Policy Statement.**
   (The Secretary of the Interior)

2. **Organization of Sub-Cabinet Structure.**
   (The Assistant to the President)

3. **Time of Future Cabinet Meetings.**
   (The Vice President)

The Dwight D. [illegible] Library

MINUTES OF CABINET MEETING

July 31, 1953

10:10 A. M. to 11:35 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Secretary Dulles and
  Under Sec. W. B. Smith
  (latter half of meeting)
Secretary Humphrey
Secretary Wilson
Attorney General Brownell
Postmaster General Summerfield
Secretary McKay and
  Under Secretary Tudor
Secretary Benson
Secretary Weeks
Secretary Durkin

Secretary Hobby
Mr. Dodge
Mr. Flemming
Gov. Stassen
Ambassador Lodge
Mr. Young
Gov. Adams
Gen. Persons
Mr. Shanley
Mr. Cutler
Mr. C. D. Jackson
Dr. Hauge
Mr. Hughes

Debt Limit - The President reviewed his request to Congress to increase the debt limit, and expressed his belief it would be fulfilled quickly in the House but might encounter some delay in the Senate. He said the figure of $290 Billion was chosen as something less than the previous high of $300 Billion, yet something sufficient to forestall the possible need for another request next year.

In regard to the timing of the request, the President touched upon the tendency to confuse the current debt situation with current appropriations when, in fact, no relationship exists. Such confusion of issues might have had serious implications for the MSA appropriation. In addition, there was the necessary routine of ascertaining action on new appropriations prior to fixing the specific request.

Power Policy Statement - Secretary McKay presented a proposed statement on power policy as a replacement for the policies established by Secretary Ickes. He indicated that the statement had been discussed with Dr. Hauge, the Army Engineers, Budget and the Federal Power Commission, and that all had agreed on the main principles expressed. Senator Cordon had also been consulted.

Secretary McKay indicated that the second item of the summary was inspired by a desire to eliminate previous "road blocking" by the Department. In regard to Item 3, Interior does not approve Federal construction and operation of steam power plants. In regard to Item 5, he indicated that the Government will no longer build competing transmission lines where only small loads are involved. In connection with Item 6, the Government will respect existing contracts and will give priority to those private industries engaged in defense work. Item 7 was inspired by a preference for initiative at the grass roots and an avoidance of Federal propaganda. As for Item 10, Under Secretary Tudor indicated that the Department in the past did not live within its announced policy.

The President and Mr. Brownell suggested the desirability of some control over resale rates of public agencies or cooperatives, but Mr. Tudor and Secretary Benson indicated that their non-profit nature eliminated such need. Secretary Weeks suggested the policy also be applied to the TVA, but the President pointed out that an entirely different situation existed there since private capital could not possibly be induced to compete. Secretary Wilson suggested that TVA policy be changed so as to insure that TVA rates reflect normal costs.

The President reviewed Senator Kerr's interest in the Washita project and commented that the Senator urged a great Federal concern without caring whether the State showed concern for its own people.

Messrs. Stassen, Lodge, Wilson, Brownell and the President and the Vice President urged that the statement be revised to indicate specifically that the Federal Government planned to undertake certain power projects as soon as budgetary considerations allow. It was agreed that no public announcement would be made of this statement until it should be revised in coordination with Dr. Hauge and other interested agencies to reflect this last suggestion. Efforts will be made to enlist the support of the Western Governors, particularly Governor Warren, for the statement.

Buy American Act - Secretary Dulles reviewed the discussions concerning the proposed Executive Order to establish a 5% differential. The President commented that there should be greater agreement prior to approval of the order and that it would probably be best for any major policy change to await the study of the Commission on Foreign Economic Policy. However, he said, in specific cases Administration leaders should act on their best judgment.

Secretaries Wilson and Weeks reviewed the positions they had taken at the previous Cabinet discussion. General Persons agreed with Secretary Weeks that if a basic change in policy were made, Congressional leaders should be informed; but he felt that Secretary Wilson could proceed with the policy he has been following without further Congressional coordination.

The President pointed out that tariffs and transportation costs impose a considerable charge on foreign competitors, hence there is good reason for keeping any differential low.

Secretary McKay pointed to the current question over purchase of insulators for Bonneville from a Japanese concern which was able to underbid a concern in West Virginia critical employment area even though faced with a 35% tariff. Secretary Dulles commented that the proposed Executive Order makes exception for distressed labor areas. Secretary Durkin and Governor Stassen indicated that the American electrical industry exports much more than it imports, and Secretary Wilson commented that American electrical equipment prices seem unduly high.

In lieu of the proposed Executive Order, the departments and agencies concerned will follow generally the present practices of the Department of Defense. It was recognized that some variations will be necessary.

Sub-Cabinet Structure - Governor Adams announced that Mr. Carter Burgess and an Ad Hoc Committee will soon be created for an exploratory study of Government organization at the sub-Cabinet level and that Cabinet members will be consulted. Their cooperation was requested. The President commented on Burgess' competency in regard to organization matters, and he stressed his own great desire for finding all possible means of doing the most effective job.

Senate Leadership - The President indicated that even should Senator Taft recover it would be impossible for him to resume his duties in the Senate, hence the question of Majority Leader will inevitably be raised. He stated that the Administration will absolutely not voice any opinion as to Senator Taft's successor, and he hoped that Administration officials would refrain from voicing even any personal hopes. The President commented on the fine spirit of cooperation achieved thus far (with the implication that it resulted from observing the etiquette of legislative prerogatives). He cited the fact that in recent weeks Senator Taft and Secretary Durkin had sat down together and called each other by their first names.

Summer Schedules - At the Vice President's suggestion, it was agreed that Cabinet meetings during August will be held at 9:00 A.M. on Thursday morning, to be followed by the NSC meeting at 10:30. The President indicated that he would have an office at Lowry Air Base where he could be reached most every morning, and that Cabinet members should not hesitate to call him there or visit there if they so desire. He also urged each Cabinet member to take some time off as his business permitted.

Employee Safety Program - Secretary Durkin called attention to the injury rate which is higher for Government than for private industry, and he urged that Cabinet members personally interest themselves in a program to reduce the number of injuries. He indicated that the Department of Labor will soon make recommendations to each department. The President strongly supported this plea and suggested that each Cabinet member closely examine the situation in his department and perhaps introduce or strengthen incentives for safety suggestions from employees. Mr. Wilson commented on safety problems in private industry. Mr. Young noted activity by the Civil Service Commission in regard to establishing job qualification sheets with some regard for safety problems. This inspired a comment by Secretary Durkin that reductions in force tend to hit the physically handicapped worker. Mr. Young commented that the Administration is making every effort to avoid such an effect.

Veterans Preference - In response to Mr. Brownell's request concerning progress of Veterans Preference legislation, Mr. Young noted the measure now under consideration in Congress concerning the need for a passing grade prior to application of the 5 and 10 point preference, and he indicated that the relationship of Veterans Preference legislation to Schedules A and C will be taken up next session.

Defense Department Administration - Secretary Wilson called attention to the forthcoming establishment of a Committee on Financial Management which will have members from both the Department and civilian life. He will call upon other departments such as Treasury and Budget for assistance. The President suggested that all departments might benefit from the experience gained by this Committee.

Public Information - Governor Adams commented on the immediate effort being made by Mr. Hagerty and Mr. Williams to prepare material for the Sunday press concerning the extent of Congressional achievements thus far, and he suggested that Cabinet members could contribute along similar lines.

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Mr. Summerfield commented on the large measure of cooperation from the White House staff in regard to all Post Office legislation. He noted the extra effort being made by the Civil Service Commission in connection with Postmaster appointments, and he expressed his disappointment that the postal rate increase was not accomplished.

Governor Stassen reported the extremely favorable vote in the Senate on the MSA appropriation and expressed his satisfaction with the net result. The President commented on the full cooperation of Senator Dirksen and Representative Taber in getting this legislation passed.

The Dwight D [illegible]

LAM

(Reported by Minnich. Copies only to
Mrs. Whitman and Minnich.)

THE WHITE HOUSE
WASHINGTON

July 31, 1953

PERSONAL AND CONFIDENTIAL

Dear Governor Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet meeting:

Power Policy Statement - It was agreed that prior to issuance of this policy statement, the Department of Interior would further develop certain aspects of it in coordination with Dr. Hauge and interested departments and agencies.

Draft Executive Order

Buy American Act - In lieu of the proposed Executive Order, the departments and agencies concerned will follow generally the present practices of the Department of Defense. It was recognized that some variations will be necessary.

Sub-Cabinet Structure - Cabinet members will be consulted by an Ad Hoc Committee soon to be established for an exploratory study of Government organization at the sub-Cabinet level.

Employee Safety Program - Cabinet members were urged to give personal support to the suggestions concerning safety procedures soon to be circulated by the Secretary of Labor.

Debt Limit - In answer to queries concerning the timing of the request to Congress to increase the debt limit, it was indicated that determination of the specific request had had to await outcome of action on appropriations.

Cabinet Meeting Schedule - During August Cabinet meetings will be held at 9:00 A.M. on Thursday.

Sincerely,

Paul T Carroll

PAUL T. CARROLL
Acting Staff Secretary

Honorable Harold E. Stassen,
Director for Mutual Security

45853

July 31, 1953

DEPARTMENT OF THE INTERIOR
POWER POLICY

SUMMARY OF NEW POLICY

(Comments in brackets are comparisons with past practices)

1. Interior will actively plan and urge construction of economically sound hydro projects which are needed and beyond ability of local public or private enterprise to build. (No change.)

2. Interior will not oppose construction of power facilities by local private or public interests. (Change of practice.)

3. New policy does not include planning of Federal steam generating plants. (Change of practice.)

4. Interior will build transmission facilities to interconnect Federal generating plants when economically feasible. (No change.)

5. Interior will not build transmission facilities to load centers if other public or private facilities are available on reasonable terms. (Change of practice.)

6. Interior will market power for benefit of the general public and particularly domestic and rural customers. Preference of customers will be as follows:

    a. Public bodies and cooperatives. (No change.)

    b. Privately owned public utilities serving domestic and rural customers.

    c. Industrial customers. (Practice in past has reversed b. and c.)

7. New policy does not include giving active assistance to formation of public agencies and cooperatives for distribution of power. (Change of practice.)

8. Rates will be as low as possible consistent with sound business principles.

9. Rates will be reviewed periodically and adjustments made to cover costs. (Interior not consistent in past.)

10. Interior will not control resale rates of public agencies or cooperatives. (Change of practice.)

11. Interior will provide for control of resale rates of privately owned utilities. (No change.)

DEPARTMENT OF THE INTERIOR

POWER POLICY

The Reclamation Act of 1902, as supplemented by the Act of 1906, and various other acts of Congress since that date, to and including the Appropriation Act of 1953, have served to make the Department of the Interior the marketing agency for electric energy produced at many Federal Government owned plants. These various acts of Congress have served to establish some basic policies for the marketing of this power as well as the planning of facilities for generation and transmission. Supplementary to these acts of Congress, the Department has, on various occasions in the past, stated policies on this important matter.

The statement herewith of power policy is a summary of the guiding principles which the Department of the Interior will hereafter follow in planning and operating facilities for the generation and transmission, and marketing of electric energy. It is based upon the various acts and statements of Congress and statements of this Administration's policy. It supercedes all statements of power policy heretofore issued by the Department.

The policies hereinafter stated will be modified if at any time this is necessary to better serve the paramount requirements of national defense.

1. GENERATING FACILITIES

The primary responsibilities of the Department are the reclamation of arid and semiarid lands under the Federal Reclamation Laws and the development of natural resources as authorized by Congress. These responsibilities include the disposal of surplus electric energy which can be economically produced in the course of the development of these resources. The Department of the Interior will, therefore, actively plan and recommend construction of generating facilities in hydro projects under its jurisdiction when such facilities are economically justified and feasible. The Department will particularly emphasize those multipurpose projects with hydroelectric developments which, because of size or complexity, are beyond the means of local, public or private enterprise.

It is recognized that the primary responsibility for supplying power needs of an area rests with the people locally. The responsibility of the Department of the Interior is to give leadership and assistance in the conservation and wise utilization of natural resources. The Department does not assume that it has the exclusive right or responsibility for the construction of dams or the generation, transmission and sale of electric energy in any area, basin, or region. In general, it will not oppose the construction of facilities which local interests, either public or private, are willing and able to provide in accordance with licenses and other controls of the Federal Power Commission or other appropriate regulatory bodies and which are consonant with the best development of the natural resources of the area.

CITATIONS

a. Address by the President - State of the Union Message to 1st Session of 83rd Congress

"...The best natural resources program will not result from exclusive dependence on Federal bureaucracy. It will involve a partnership of the States and local communities, private citizens, and the Federal Government, all working together. This combined effort will advance the development of the great river valleys of our nation and the power that they can generate."

The Dwight D. [illegible] Library

b. Reclamation Act of 1906, 43 U.S.C. Sec. 522

"Whenever a development of power is necessary for the irrigation of lands, under any project undertaken under the said reclamation law, or an opportunity is afforded for the development of power under any such project, the Secretary of the Interior is authorized to lease for a period not exceeding ten years, giving preference to municipal purposes, any surplus power or power privilege...Provided, that no lease shall be made of such surplus power or power privileges as will impair the efficiency of the irrigation project..."

c. House Committee on Interior Department Appropriation Bill, 1949

"Statement of policy.--The committee desires to reemphasize its statement in former reports on the bill, that the reclaiming of arid lands by the construction of reclamation projects is and always has been the primary purpose of the reclamation laws. Development of hydroelectric power is incidental to irrigation and is made as a means of financially aiding and assisting such undertakings. This policy should not be departed from without specific legislation by the Congress."

d. Address of Secretary McKay at Boston, Mass., May 14, 1953

"It should be our objective in these multi-purpose reservoir projects to utilize this water resource to the maximum in the generation of hydroelectric power, so far as that can be done, without taking away what we need for consumption purposes, such as reclamation, municipal water and other uses in that category."

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"We will continue within the limits that the national budget will permit with construction of such of these projects as are economically feasible and fall in the proper category of Federal projects."

2. TRANSMISSION FACILITIES

The Department of the Interior will construct and operate transmission lines that are economically feasible and necessary for proper connection and operation of federally owned generating plants. Transmission facilities will also be built and operated to carry power to load centers within economic transmission distances unless other public or private agencies have or will provide the necessary facilities upon reasonable terms. These terms shall generally be such that the federally produced power will be made available to customers at costs not higher than would result from the construction of transmission facilities by the Federal Government.

CITATIONS

a. Bonneville Act of 1937 (16 U.S.C. Sec. 832a(b)

> "In order to encourage the widest possible use of all electric energy that can be generated and marketed and to provide reasonable outlets therefor, and to prevent the monopolization thereof by limited groups, the administrator is authorized and directed to provide, construct, operate, maintain, and improve such electric transmission lines and substations, and facilities and structures appurtenant thereto, as he finds necessary, desirable, or appropriate for the purpose of transmitting electric energy, available for sale, from the Bonneville project to existing and potential markets, and, for the purpose of interchange of electric energy, to interconnect the Bonneville project with other Federal projects and publicly owned power systems constructed on or after August 20, 1937."

b. Fort Peck Act of 1938 (16 U.S.C. Sec. 833a(b)

> "In order to encourage the widest possible use of all electric energy that can be generated and marketed and to provide reasonable outlets therefor, and to prevent the monopolization thereof by limited groups, the Bureau is authorized and directed to provide, construct, operate, maintain, and improve such electric transmission lines

and substations, and facilities and structures appurtenant thereto, as it finds necessary, desirable, or appropriate for the purpose of transmitting electric energy, available for sale, from the Fort Peck project to existing and potential markets, and, for the purpose of interchange of electric energy, to interconnect the Fort Peck project with either private or with other Federal projects and publicly owned power systems now or hereafter constructed."

c. Flood Control Act of 1944 (16 U.S.C. Sec. 5)

"The Secretary of the Interior is authorized, from funds to be appropriated by the Congress, to construct or acquire, by purchase or other agreement, only such transmission lines and related facilities as may be necessary in order to make the power and energy generated at said projects available in wholesale quantities for sale on fair and reasonable terms and conditions to facilities owned by the Federal Government, public bodies, cooperatives, and privately owned companies."

d. Senate Committee on Interior Department Appropriation Bill, 1954

"The committee reiterates its view that efforts should be made to secure wheeling contracts wherever possible, and that the Federal Government should build transmission lines only when such agreements cannot be negotiated at comparable cost to consumers; the only exception to this policy should be with respect to main lines for the purpose of connecting Federal hydroelectric plants, where the benefits from the integration justify the expenditure."

3. PREFERENCE TO PUBLIC AGENCIES AND COOPERATIVES

The Department of the Interior will operate the federally owned generating and transmission facilities under its control for the benefit of the general public, and particularly of domestic and rural customers, and the Department will give preference and priority to public bodies and cooperatives in disposing of electric energy generated at Federal plants. It will be the policy of the Department to dispose of power, remaining after provision for existing preference customers, to privately owned public utilities serving domestic and rural customers in the area. The Department will not ordinarily undertake to dispose of power directly to consumers except to carry out existing contracts or renewals or expansion thereof, nor will it use or permit the use of the preference privilege as a means to provide power for large industrial consumers at the expense of domestic and rural customers served by either publicly or privately owned public utilities.

CITATIONS

a. Reclamation Act of 1906

> "...The Secretary of Interior is authorized to lease for a period not exceeding ten years, giving preference to municipal purposes, any surplus power or power privilege..."

b. Reclamation Act of 1939 (Sec. 485h(c))

> "...That in the sale or lease preferences shall be given to municipalities and other public corporations or agencies; and also to cooperatives and

other non-profit organizations financed in whole or in part by loans made pursuant to Sections 901-914 of Title 7 (Rural Electrification Administration)."

c. Bonneville Act of 1937

"In order to insure that the facilities for the generation of electric energy at the Bonneville project shall be operated for the benefit of the general public, and particularly of domestic and rural consumers, the Administrator shall at all times, in disposing of electric energy generated at said project, give preference and priority to public bodies and cooperatives."

d. Fort Peck Act of 1938

"In order to insure that the facilities for the generation of electric energy at the Fort Peck Project shall be operated for the benefit of the general public, and particularly of domestic and rural consumers, the Bureau shall at all times, in disposing of electric energy generated at such project, give preference and priority to public bodies and cooperatives."

e. Flood Control Act of 1944

"...The Secretary of the Interior...shall transmit and dispose of such power and energy in such manner as to encourage the most widespread use thereof at the lowest possible rates to consumers consistent with sound business principles, the rate schedules to become effective upon confirmation and approval by the Federal Power Commission. Preference in the sale of such power and energy shall be given to public bodies and cooperatives. The Secretary of the Interior is authorized, from funds to be appropriated by the Congress, to construct or acquire, by purchase or other agreement, only such transmission lines and related facilities as may be necessary in order to make the power and energy generated at said projects available in wholesale quantities for sale on fair and reasonable terms and conditions to facilities owned by the Federal Government, public bodies, cooperatives, and privately owned companies..."

4. RATES FOR SALE OF ELECTRIC ENERGY

The Department of the Interior will dispose of power and energy at the lowest possible rates to consumers consistent with sound business principles. Rate schedules will be prepared on a basis which will provide for the cost of producing and transmitting the energy and will return the capital investment in generation and transmission facilities together with interest in not more than 50 years. If reclamation costs are assigned to power, rates for power shall be such as to recover these additional costs within a reasonable time.

Rates will be reviewed at periodic intervals, generally not exceeding every five years, and at such times adjustments will be made to reflect actual costs where only estimates were available before, to reflect additions to the system which are in operation at the time of application of the new rates, and other proper items.

CITATIONS

a. Reclamation Project Act of 1939 (43 U.S.C. Sec. 485h(c))

> "...Any sale of electric power or lease of power privilege made by the Secretary in connection with the operation of any project or division of a project, shall be for such periods, not to exceed 40 years, and at such rates as in his judgment will produce power revenues at least sufficient to cover an appropriate share of the annual operation and maintenance costs, interest on an appropriate share of the construction investment at not less than 3%

per annum and such other fixed charges as the Secretary deems proper."

b. Bonneville Act of 1937 (16 U.S.C.)

"Schedules of rates and charges for electric energy produced at the Bonneville Project and sold to purchasers as in this chapter provided shall be prepared by the Administrator and become effective upon confirmation and approval thereof by the Federal Power Commission; and such rates and charges shall also be applicable to the disposition of electric energy to Federal agencies. Subject to confirmation and approval by the Federal Power Commission such rate schedules may be modified from time to time by the Administrator..." (Sec. 832e)

"...Rate schedules shall be drawn having regard to the recovery (upon the basis of the application of such rate schedules to the capacity of the electric facilities of the Bonneville project) of the cost of producing and transmitting such electric energy, including the amortization of capital investment over a reasonable period of years." (Sec. 832f)

"Contracts entered into under this section shall be binding in accordance with the terms thereof and shall be effective for such period or periods, including renewals or extensions, as may be provided therein not exceeding in the aggregate 20 years from the respective dates of making such contracts. Contracts entered into under this subsection shall contain such provisions as the Administrator and purchaser agree upon for the equitable adjustment of rates at appropriate intervals, not less frequently than once in 5 years." (Sec. 832d)

c. Fort Peck Act of 1938 (16 U.S.C. Sec. 833d)

"Schedules of rates and charges for electric energy produced at the Fort Peck project and sold to purchasers as in this chapter provided shall be prepared by the Bureau and become effective upon confirmation and approval thereof by the Federal Power Commission. Subject to confirmation and approval by the Federal Power Commission, such rate schedules may be modified from time to time by the Bureau and shall be fixed and established with a view to encouraging the widest possible diversified use of electric energy. The said rate schedules may provide for uniform rate or rates uniform throughout prescribed transmission areas in order to extend the benefits of an integrated transmission system and encourage the equitable distribution of the electric energy developed at the Fort Peck project."

d. Flood Control Act of 1944

"...The Secretary of the Interior...shall...dispose of...power and energy...at the lowest possible rates to consumers consistent with sound business principles, the rate schedules to become effective upon confirmation and approval by the Federal Power Commission. Rate schedules shall be drawn having regard to the recovery (upon the basis of the application of such rate schedules to the capacity of the electric facilities of the projects) of the cost of producing and transmitting such electric energy, including the amortization of the capital investment allocated to power over a reasonable period of years..."

5. RESALE RATES OF ELECTRIC ENERGY

Ordinarily in contracts with public agencies or cooperatives for the sale of electric energy no resale rate controls will be imposed by the Department of the Interior. It will be presumed that such bodies are responsible directly to customers they serve and are fully protecting the interests of these customers.

In all contracts with customers other than public agencies or cooperatives, provision will be made to prohibit the resale of energy unless the purchaser is a public utility serving principally domestic and rural customers. In the latter event, provision will be made to insure that power is furnished to ultimate consumers at the lowest rates which shall reflect as nearly as possible the cost of the service plus a reasonable return on the investment at work.

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CITATION

a. Bonneville Act of 1937 (16 U.S.C. Sec. 832d)

> "...Contracts entered into with any utility engaged in the sale of electric energy to the general public shall contain such terms and conditions, including among other things stipulations concerning resale and resale rates by any such utility as the Administrator may deem necessary, desirable or appropriate to effectuate the purpose of this chapter and to insure the resale by such utility to the ultimate consumer shall be at rates which are reasonable and non-discriminatory."

THE SECRETARY OF THE INTERIOR

Washington

January 3, 1946

MEMORANDUM ON POWER POLICY

TO ALL STAFFS OF THE DEPARTMENT OF THE INTERIOR

The Congress over a 40-year period has enacted a large number of laws relating to electrical power activities. Most, but not all, of these acts relate specifically to the Department of the Interior. The others serve equally to fix the general policy that must guide all Interior Department staffs and officials in their administration of power programs. In recent years the Congress has greatly increased the responsibilities of the Department for the development and disposition of electrical energy. It is, therefore, appropriate to recapitulate the guiding principles which emerge from the individual acts of Congress, and which must govern the administrative actions of this Department in discharging its responsibilities relating to electrical power.

The primary objectives of the acts of Congress (excerpted in the attachment) may be summarized as follows:

1. Federal dams shall where feasible include facilities for generating electrical energy.

   Reclamation Act of April 16, 1906; Act of July 25, 1912; the Tennessee Valley Authority Act of 1933; the Flood Control Acts of 1938, 1944 and 1945.

2. Preference in power sales shall be given to public agencies and cooperatives.

   Reclamation Act of April 16, 1906; the "Raker Act" of December 19, 1913; Federal Water Power Act of 1920; Boulder Canyon Act of 1928; Tennessee Valley Authority Act of 1933; Rural Electrification Act of 1936; Bonneville Act of 1937; Fort Peck Act of 1938; Reclamation Project Act of 1939; Flood Control Act of 1944.

3. Power disposal shall be for the particular benefit of domestic and rural consumers.

   Tennessee Valley Authority Act of 1933; Rural Electrification Act of 1936; Bonneville Act of 1937; Fort Peck Act of 1938.

4. Power shall be sold at the lowest possible rates consistent with sound business principles.

   Tennessee Valley Authority Act of 1933; Bonneville Act of 1937; Fort Peck Act of 1938; Flood Control Act of 1944.

5. Power disposal shall be such as to encourage widespread use and to prevent monopolization.

   Tennessee Valley Authority Act of 1933; Rural Electrification Act of 1936; Bonneville Act of 1937; Fort Peck Act of 1938; Flood Control Act of 1944.

These basic policies are prescribed by Congress. It is the job of the Department of the Interior to carry them out, and to see that the administration of its power programs will in fact secure these objectives. The following principles are designed to implement the congressional policy. They will guide all staffs and officials of the Department who deal with power.

I. Planning and Construction.

a. Hydroelectric generating facilities shall be designed and installed in all projects where feasible. The project shall have its own steam standby and reserve facilities where necessary to independent operation on an economical and efficient basis.

b Facilities shall be designed and installed to provide the type of power and service required by public agencies and cooperatives.

c. Construction shall be economical and efficient

d Government hydroelectric plants within a region shall be integrated by transmission ties

e. Transmission outlets to existing and potential wholesale markets shall be adequate to deliver power to every preferred customer within the region upon fair and reasonable terms. They must be owned and controlled by the Government unless privately-owned facilities should be made available upon terms which assure full accomplishment of the basic objectives of the congressional power policy and which do not reward the private company simply because of its strategic location or monopolistic position.

f. Allocations of costs on multiple-purpose projects shall not result in power consumers paying for facilities not fairly to be attributed to the operation of the power system, except as may be necessary to make the project feasible as required by law.

II. Operation and Sales.

a. Active assistance, from the very beginning of the planning and authorization of a project, shall be given to the organization of public agencies and cooperatives for the distribution of power in each project area. The statutory objectives are not attained by merely waiting for a preferred customer to come forward and offer to purchase the power.

b. Operations shall be economical and efficient.

c. Wholesale rate schedules shall be nondiscriminatory and shall be designed to bring power at the lowest possible rates to distributors that are principally serving domestic and rural consumers.

d. Resale rate and other provisions shall be included in wholesale contracts with distributors to insure that power is furnished to the ultimate consumer at the lowest possible rates, which shall reflect as nearly as may be the cost of the service.

e. Public agencies and cooperatives shall be encouraged to build diversified loads and markets and neither the operations nor the markets of these agencies or of the Government facilities shall be restricted by contracts or operating agreements which might serve to limit the widespread use of the power from the Federal project.

f. No contracts shall be made that operate to foreclose public agencies and cooperatives from obtaining power from the Government project. Contracts with these organizations shall recognize their preferential character and assure them full opportunity to secure the benefits of Federal power. Contracts with privately owned companies shall be limited in time and shall contain provisions for the cancellation or modification by the Government as necessary to ensure preference to public agencies and cooperatives.

g. Rates, contracts and financial data shall be made public.

h. A diversified development of the industries and resources of the region shall be given active encouragement in order to benefit the load factor and to promote the economic stability of the project as well as to aid in regional development.

i. Public agencies and cooperatives which are existing or potential customers of the Federal project shall be given every assistance in promoting sound programs and operations.

This list of guiding principles is not intended to be exhaustive but is designed to serve as the primary operating basis for attaining the objectives which Congress has prescribed for Federal power programs. These principles will guide all staffs and reviewing officials of the Department of the Interior who are administering power activities. The administration and review of these activities will be continued by the agencies and officials heretofore designated.

/signed/ Harold L. Ickes

Secretary of the Interior.

Attachment

Acts of Congress
providing the basis of the Federal power policy.

The Reclamation Act of April 16, 1906 (34 Stat. 117; 43 U.S.C. sec. 522); The Secretary of the Interior may lease surplus power from irrigation projects, "giving preference to municipal purposes." (Sec. 5).

Act of July 25, 1912 (37 Stat. 201; 33 U.S.C. sec. 609): Works desirable for development of water power authorized to be provided in all navigation dams "in order to make possible the economical future development of water power." (Sec. 12).

The "Raker Act" of December 19, 1913 (38 Stat. 242): Use of National park land granted to the City of San Francisco for the purpose of storing water for domestic use and developing power. (Sec. 1). City "prohibited from ever selling or letting to any corporation or individual, except a municipality or a municipal water district or irrigation district, the right to sell or sublet the water or the electric energy sold or given to it or him" by the City. (Sec. 6; see U. S. v. San Francisco, 310 U. S. 16 (1940).

The Federal Water Power Act of June 10, 1920 (41 Stat. 1063; 16 U.S.C. sec. 800): Federal Power Commission "shall give preference to applications . . . by States and municipalities" for permits and licenses to build and operate works upon navigable waters. (Sec. 7).

Boulder Canyon Project Act of December 21, 1928 (45 Stat. 1057); 43 U.S.C. sec. 617d(c): Contracts for use of hydroelectric energy to be let "in conformity with the policy expressed in the Federal Water Power Act as to conflicting applications." (Sec. 5(c).

Tennessee Valley Authority Act of May 18, 1933 (48 Stat. 58, as amended; 16 U.S.C. sec. 831 et. seq.): Surplus power "shall be considered primarily as for the benefit of the people of the section as a whole and particularly the domestic and rural consumers to whom the power can economically be made available, and accordingly that sale to and use by industry shall be a secondary purpose, to be utilized principally to secure a sufficiently high load factor and revenue returns which will permit domestic and rural use at the lowest possible rates and in such manner as to encourage increased domestic and rural use of electricity." (Sec. 11).

Rural Electrification Act of May 20, 1936 (49 Stat. 1363; 7 U.S.C. sec. 901 et. seq.): Preference to be accorded public and cooperative bodies seeking loans under terms of Act. (Sec. 4).

Bonneville Act of August 20, 1937 (50 Stat. 731; 16 U.S.C. sec. 832 et seq.): To prevent monopolization of electric energy generated at Bonneville Project, transmission facilities to be constructed and operated. (Sec. 2 (b). Preference and priority to be accorded to public bodies and cooperatives to insure operation of project "for the benefit of the general public, and particularly of domestic and rural consumers." (Sec. 4 (a). Policy of Congress declared to preserve preferential status of public bodies and cooperatives and to give people within economic transmission range reasonable time and opportunity to organize such bodies for purchase of electric energy. (Sec. 4 (d). Contracts with privately owned utilities to contain cancellation clauses to permit power to be diverted to preferred customers. (Sec. 5 (a) (2).

Fort Peck Act of May 18, 1938 (52 Stat. 403; 16 U.S.C. sec. 833 et seq.): To encourage widest possible use of electric energy and prevent monopolization thereof by limited groups, transmission lines and appurtenant facilities to be provided at Fort Peck project. (Sec. 2 (b). Preference to be accorded public bodies and cooperatives to insure operation of project "for the benefit of the general public, and particularly of domestic and rural consumers." (Sec. 4).

Flood Control Act of June 28, 1938 (52 Stat. 1215; 33 U.S.C. sec. 701j): Penstocks to be installed in any dam "adapted to possible future use in the development of hydroelectric power." (Sec. 4).

Reclamation Project Act of August 4, 1939 (53 Stat. 1187; 43 U.S.C. sec. 485h(c): Preference in sales of power to be given public bodies and to cooperatives and other nonprofit organizations financed in whole or part by the Rural Electrification Administration. (Sec. 9(c).

Flood Control Act of December 22, 1944 (58 Stat. 887): Surplus electric energy developed at reservoir projects to be disposed of "in such a manner as to encourage the most widespread use thereof at the lowest possible rates to consumers consistent with sound business principles;" preference to be given in sale of such energy to "public bodies and cooperatives;" and, where necessary, transmission lines and related facilities to be constructed or acquired to make such energy available, in wholesale quantities, "on fair and reasonable terms and conditions to facilities owned by the Federal Government, public bodies, cooperatives and privately owned companies." (Sec. 5). Penstocks to be installed in any dam adapted to possible future use in the development of hydroelectric power. (Sec. 10).

Flood Control Act of March 2, 1945 (P. L. 14, 79th Cong.): Penstocks adapted to possible future use in the development of hydroelectric power to be installed in any dam when approved by the Secretary of War upon recommendation of Chief of Engineers and of Federal Power Commission; such recommendations to be based upon consideration of the proper utilization and conservation in the public interest of the resources of the region. (Sec. 2).

THE WHITE HOUSE
WASHINGTON

Routine Cabinet Agenda Item

~~01/0~~

Periodic reports by the Secretary of Labor on the Employee Safety Program

This was agreed upon at a Cabinet meeting of July ~~01~~ 31, when Sec. Durkin emphasized the need for all departments to foster safety programs.

He was made responsible for following progress and making periodic reports to Cabinet.

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Thursday, August 27, 1953

1. Report on International Developments. (The Secretary of State)

2. The Mid-Year Budget Review. (The Acting Director of the Budget)

3. Reporting Administration Decisions. (The Special Counsel)

4. Guest Editorials by Cabinet Members. (The Special Counsel)

5. Employee Security Problems -- The Independent Agencies. (The Vice President)

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By DHC NLE, Date 9-7-77

MINUTES OF CABINET MEETING

August 27, 1953

9:00 A. M. to 10:45 A. M.

The following were present:

Vice President Nixon

Secretary Dulles
Secretary Humphrey
Acting Secretary of Defense Kyes
Acting Postmaster General Hook
Secretary McKay
Secretary Benson
Acting Secretary of Commerce Murray
Acting Secretary of Labor Mashburn
Acting Secretary of HEW Rockefeller

Mr. Flemming
Acting Director of the Budget Hughes
Acting Director FOA Matteson
Mr. Shanley
Mr. Cutler
Gen. Carroll
Mr. Snyder
Mr. Rumbough
Mr. Minnich

Report on International Developments - Secretary Dulles viewed his trip to Korea and discussions with President Rhee as a fulfillment of one of the inducements for getting Rhee to sign the armistice. During their discussions Syngman Rhee fought to the last to secure commitments from the United States for the unification of Korea by whatever means possible and for material support for Korea from the United States should South Korea attempt unification by force. Mr. Dulles commented that the communique at the end of the conference had been misinterpreted, and that actually the United States retained a free hand in determining if it should walk out on the political conference after ninety days. It was quite clear to Mr. Rhee that the United States would confer with its other associates. Mr. Dulles stressed the last sentence of the communique, to the effect that there were no agreements not represented in the communique. The terms obtained for the United States South Korea's assurance that the ROK forces should remain under the control of the United Nations commander until at least next February. Also, there was a proviso that the United States would continue for six months to make use of Korean facilities presently available.

In regard to the debate in the United Nations on the Korean peace conference, Secretary Dulles outlined the background of the United Kingdom's commitment to India to have it participate. The bitterness between India and Korea makes it impossible for the United States to persuade Syngman Rhee to accept Indian participation, particularly since our bargaining power with him seems exhausted. Mr. Dulles pointed out that the armistice agreement called for a conference of both sides, and that Rhee could use Indian participation as an excuse for withdrawing and thus wrecking the conference. He stated that the United States has put the burden

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on the British for persuading Rhee to admit India if Britain is insistent on having India participate. He commented that Lord Salisbury understood the situation sympathetically.

In regard to Morocco, Secretary Dulles commented that the present situation had developed as a result of French efforts to play one faction against another getting out of hand. He noted that the interest of the United States lies in avoiding Security Council action on this situation because of our need for continued French effort in Indo-China. He recognized that the US position in this respect would cost the votes of the Arab-Asia bloc on the Korean question.

Secretary Dulles viewed the fall of Mossadeq as the presentation of a second chance for us in Iran.

Secretary Dulles commented on the increase of sentiment against the Bricker Amendment among the younger members of the Bar Association, who are ready to wage a national education campaign. Following his appearance before the Bar Association in Boston, he judged that the Administration is in a much stronger position now on this question than last January.

Following the Secretary's presentation, the Vice President commented on our unfortunate position in regard to the UN Korean debate, whereby we have to take the blame for a situation which we cannot control yet cannot publicize without ruining present good relations with the British.

In response to the Vice President's query on the possibility of achieving Korean unification, Secretary Dulles stated that the possibility at this conference was small, but that there might be success in establishing forces which would work slowly to bring final good results. Such forces would be the economic development of South Korea to attract the North Koreans, and the continued presence of United States troops which would encourage the opposition to bargain unification in return for US military withdrawal. Secretary Dulles saw as the most difficult problem Syngman Rhee's desire for huge armaments which is inspired more by fear of Japan than of the Communists.

The Secretary also outlined his conversation with the Japanese Premier in which he urged Mr. Yoshida to accomplish a greater Japanese military effort.

The Mid-Year Budget Review - Mr. Hughes presented this review and noted that it was a tentative document, dependent upon fulfillment of present expectations. He cited particularly the scaling down of expenditures by $6½ Billion and the fact that this was the first time in many years when appropriations are considerably under annual income and even more so under expenditures. He pointed out that no attempt had been made to alter the figures to represent anticipated changes for better or worse in the international situation.

Mr. Kyes questioned the figure ($41.7 Billion) for Defense which he believed was too small and failed to take into account an increase in the aircraft program. Mr. Kyes also emphasized that Defense could not be expected to stay within this figure if it is asked to undertake new programs for rehabilitating Korea. He expressed a feeling that the Defense Department authorities were being made the "fall guys" for arbitrary budget decisions which precluded fulfillment of defense responsibilities dictated by the NSC.

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E.O. 11652, Section 1
By BHC NLE, Date 9-7-77

Mr. Kyes criticized severely a recent memorandum from Budget putting limitations on the use of official cars. This had an extremely bad effect on morale since it followed closely on a GSA memorandum ordering the marking of automobiles. He pointed out that the responsibilities of top level people require them to be on call constantly. Mr. Hughes commented that too strict an interpretation had been put upon the Budget memorandum. He stated that the Budget Review was based upon agreement with lower level authorities in each department, and that there was no attempt to be arbitrary. In a discussion among Secretary Humphrey, Mr. Hughes, and Mr. Kyes, it was determined that the Defense Department is not expected to undertake new rehabilitation programs and that Secretary Humphrey could not recall any NSC authorization for increase in the aircraft program. The three men agreed to check their figures after the Cabinet meeting.

Secretary Dulles took exception to the use of the term "foreign aid" in the Review and recalled that agreement had previously been reached to emphasize any such assistance as a part of national security measures, not foreign aid.

The Cabinet discussion of the Review as a whole emphasized that this report is "good news", that this accomplishment has been made simultaneously with provisions for maintaining national security, and that it shows an approach toward having a balanced budget at the end of 1954. Mr. Humphrey pointed out that a decrease in tax receipts prevents any optimistic statements at this time about a balanced budget for 1955.

Mr. Humphrey emphasized the need for overcoming the mistaken notion in the country that a balanced budget means inadequate security. He pointed out that the budget can be balanced at any level, high or low. He emphasized that security requirements precede desires for economy, leaving the balancing of the budget as irrelevant.

(Secretary Dulles left the room during the latter part of this discussion, and later reported that he had talked on the phone with the President who, at 7:30 a.m., was just about to go fishing.)

Cost of Living Index - The Vice President commented on the morning headline that the Index had reached a new high. Secretary Humphrey noted that the rise was minute, and that the total rise of only one-half of one percent in a full year indicates that the economy has been pretty well stabilized at a high level. Mr. Mashburn noted that the Index figures belie the charges of labor union papers that the Administration will bring deflation and depression.

Reporting Administration Decisions - Speaking for Governor Adams Mr. Shanley urged, in order to strengthen the Administration and create better understanding of the necessity for actions to be taken, that Cabinet members establish in their Departments systematic procedures for giving appropriate political figures (in Congress and others locally through the Republican National Committee) advance warning or advice on the spending or curtailment of appropriated funds in an area; on the appointment of a local figure to a significant Federal position; and on the opening, closing, or reduction of plant or other Federal facilities of consequence. (Memorandum attached.)

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E.O. 11652, Section 1
By BHC NLE, Date 7-28-76

Under Secretary Murray described the effective system in use in the Commerce Department which has avoided much trouble in the closing of about 150 facilities. Secretary Humphrey commented that advance warning frequently served only to increase the publicity pressures for changing a decision. The Vice President underscored the necessity for alerting Members of Congress. Mr. Kyes noted the group established under Mr. Charlie Thomas in the Defense Department for that specific purpose.

Guest Editorials by Cabinet Members - Mr. Shanley brought to the attention of Cabinet members the invitation from the Gannett Newspapers to publish any material they might wish to submit as guest editorials. It was the concensus of the Cabinet that this would be an effective device which each Cabinet member might use as time permits.

Employee Security Program - The Vice President commented on the lack of wisdom of a statement which had been issued in connection with the Congressional investigation of loyalty at the Government Printing Office. The statement had asserted that Senator McCarthy was wrong in saying that there were 40 Communists -- that there were not nearly that many! The Vice President commented that a fighting approach should be taken only when the facts were quite wrong and it was obvious that the Senator was out of line. He noted the effective and firm stand taken by Mr. Allen Dulles. He emphasized, and was seconded by Secretary Benson, that a cooperative approach can be taken even in the process of knocking down errors of Congressional Committees. He urged that when infiltration was found it be admitted quickly and gotten rid of.

The Vice President announced that the next Cabinet meeting would be held on Wednesday, September 9th.

(Reported by Minnich. Copies only to
Mrs. Whitman and Minnich.)

~~CONFIDENTIAL~~

MR. VICE PRESIDENT:

Governor Adams requested that the following statement be read at the Cabinet meeting:-

"There have been cases, from time to time, where departments or agencies of the Administration took actions of local economic and political importance within the various states and Congressional Districts without giving any forewarning or advice to friendly senators and congressmen or to the Republican National Committee for dissemination to the state organization. The furnishing of this type of information is certainly something that can be done in order to strengthen the hand of the Administration and to save political supporters from embarrassment. Moreover, in the event of adverse actions such as the closing out of an office or facility, our friends can frequently make explanation, if forewarned, which will tend to create a better understanding of the necessity for the action taken. It is essential that each department and agency head establish a foolproof system within his organization so that timely information on the spending or curtailment of appropriated funds in an area; the appointment of a local figure to a significant federal position; and the opening, closing or reduction of plant or other federal facilities of consequence, will be placed in the hands of appropriate political figures a reasonable time in advance of the actual event".

THE WHITE HOUSE
WASHINGTON

August 27, 1953

PERSONAL AND CONFIDENTIAL

Dear Mr. Director:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at today's Cabinet Meeting:

The 1954 Budget Review -- In this discussion it was agreed that presentation of the Review should emphasize the "good news" which it represents -- the extensive progress made towards a balanced budget, and the fact that this progress has been achieved simultaneously with the strengthening of national security forces.

Secretary Dulles urged again the need for eliminating usage of the term "foreign aid" for items which actually are a part of the National Security Program.

Reporting Administration Decisions -- In order to strengthen the Administration and create better understanding of the necessity for actions to be taken, Cabinet members were urged to establish in their Departments systematic procedures for giving appropriate political figures (in Congress and others locally through the Republican National Committee) advance warning or advice on the spending or curtailment of appropriated funds in an area; on the appointment of a local figure to a significant federal position; and on the opening, closing or reduction of plant or other federal facilities of consequence.

Guest Editorials -- Mr. Hagerty's office will circulate to the Information Officers of each Department the invitation from the Gannett Newspapers to publish as "guest editorials" any material offered for that purpose by Cabinet members.

Employee Security Program -- In connection with Congressional loyalty investigations, emphasis was placed on the need for securing the facts prior to issuance of any statements and also on the desirability of dealing with such situations in a cooperative spirit.

The next Cabinet meeting will be held on Wednesday, September ninth.

Sincerely,

L. A. Minnich
for PAUL T. CARROLL
Acting Staff Secretary

The Honorable Robert E. Matteson
The Acting Director
Foreign Operations Administration

HOLD FOR RELEASE • HOLD FOR RELEASE • HOLD FOR RELEASE • HOLD FOR RELEASE

CONFIDENTIAL! The following Review of the 1954 Budget [illegible] release at 7 P.M., Eastern Daylight Time, August 27, 1953 [illegible]

[illegible] published before that time.

[illegible] PUBLICATION [illegible]

Review of

THE 1954 BUDGET

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
August 27, 1953

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REVIEW OF THE 1954 BUDGET

During the fiscal year 1953, which ended June 30, budget expenditures were 74.6 billion dollars, receipts 65.2 billion dollars, and the budgetary deficit 9.4 billion dollars. Due to an overestimate of receipts, this deficit was 3.5 billion dollars greater than estimated in the January Budget. Budget expenditures continued the sharp increase which began in the fiscal year 1948. Budget receipts, although lower than January estimates, were at a new high for any year. The budget deficit nevertheless was higher than in any previous year except for the two World War periods.

The January Budget as presented to the Congress for the fiscal year 1954 envisioned a further increase in budget expenditures and a budget deficit of 9.9 billion dollars.

Table 1

BUDGET TOTALS
(Fiscal years, in billions)

	1952	1953	1954 estimated	
	actual	actual	January	Revised
New obligational authority:	($92.9)	($80.0)	($72.9)	($63.2)
Authorizations of new funds	91.6	79.2	72.5	60.4
Reauthorizations of prior year funds	1.3	.8	.4	2.8
Budget expenditures	66.1	74.6	78.6	72.1
Budget receipts	62.1	65.2	68.7	68.3
Budget deficit	4.0	9.4	9.9	3.8

Requests in the January Budget for new current appropriations were reduced almost 13 billion dollars in the 1954 Budget as enacted. The reduction in "new obligational authority," as shown on Tables 1 and 2, includes reappropriations and other types of budget authorizations as well as new "current appropriations." Reappropriations for the most part—largely in the Mutual Security Program—brought the reduction in enacted new obligational authority down to 10.1 billion dollars. However, this figure will be decreased by about 400 million dollars in view of anticipated needs for supplemental appropriations—to 9.7 billion dollars.

Budget expenditures in the fiscal year 1954 are estimated at 72.1 billion dollars, a reduction of 6.5 billion dollars from the January Budget. The revised estimates reflect action by the administration and the Congress on the 1954 Budget and programmed reductions to date. They do not reflect any further action under the President's recent directive on budget policy "progressively to reduce expenditures during the fiscal

Table 2

RÉSUMÉ OF NEW OBLIGATIONAL AUTHORITY BY TYPE
Fiscal years 1953 and 1954
(in millions)

Description	1953 enacted	1954 Budget Document	1954 enacted	Differences-1954 enacted over 1953 enacted	Differences-1954 enacted over 1954 Budget Document
CURRENT AUTHORIZATIONS					
Appropriations..	$72,349	$64,315	$51,344	-$21,005	-$12,971
Reappropriations of prior years appropriations.........	830	404	2,820	+1,990	+2,416
Authorizations to expend from public debt receipts.....	1,551	654	758	-793	+104
Contract authorizations...............................	2	1	*	-2	-1
Total..	74,732	65,374	54,922	-19,810	-10,452
Less portion of appropriations for liquidation of prior contract authorizations............................	3,280	911	726	-2,554	-185
Total obligational authority under current authorizations.................................	71,452	64,463	54,196	-17,256	-10,267
PERMANENT AUTHORIZATIONS					
Appropriations..	7,556	7,417	7,562	+6	+145
Authorizations to expend from public debt receipts.....	250	250	250	-	-
Authorizations to expend from corporate debt receipts..	33	46	54	+21	+8
Contract authorizations...............................	708	707	708	-	+1
Total obligational authority under permanent authorizations.................................	8,547	8,420	8,574	+27	+154
Total new obligational authority......................	79,999	72,883	62,770	-17,229	-10,113
Add, proposed supplementals included in this review....			419	+419	+419
Total new obligational authority estimated for 1954....			63,189	-16,810	-9,694

* Less than one-half million.

year 1954." The reduction in new obligational authority makes possible substantial reductions in expenditures for the fiscal year 1954. It also is a basis for lower spending in future years because it means a reduction in spending commitments during 1954 which will have to be met in later years.

New obligational authority

The 63.2 billion dollars of new obligational authority estimated for the fiscal year 1954 is substantially less than the actual amounts for 1951, 1952, and 1953.

As shown in Table 3, for the first time since hostilities began in Korea, the amount of new obligational authority for 1954 is less than estimated budget receipts. This is a reversal of the experience of the past several years, in which the annual amount of authority to incur new obligations consistently was greater than the Government's annual income—a situation which led to the need for higher taxes and created larger budgetary deficits in subsequent years.

For the first time since 1948, new obligational authority is substantially less than the estimated annual budget expenditures. Thus, the buildup of accumulated commitments for which cash will have to be paid from the income of future years will start declining. Therefore, the lower level of new obligational authority promises lower expenditures not only in 1954, but also in future years. New obligational authority lower than the year's expenditures and receipts is the essential turning point toward a balanced Budget.

Budget expenditures

Because of the unfunded outstanding authorizations to spend (outstanding commitments on July 1, 1953, amounted to over 81 billion dollars), the reduction made in the January estimate of budget expenditures, although substantial, can not be as great as the reduction in new obligational authority.

After the reductions so far programmed, budget expenditures for the fiscal year 1954 are estimated to be 6.5 billion dollars less than the amount programmed in the original 1954 Budget and 2.5 billion dollars less than actual expenditures for the fiscal year 1953.

Budget receipts

The present estimate of 68.3 billion dollars for fiscal year 1954 budget receipts includes about 800 million dollars resulting from the action of the Congress in extending the excess profits tax from June 30, 1953 to December 31, 1953. This amount was not included in the January estimate.

Table 3

SUMMARY BUDGET INFORMATION
Fiscal years 1950 through 1954
(in billions)

Description	1950 actual	1951 actual	1952 actual	1953 actual	1954 estimated	
					January	Revised
1. New obligational authority....................	$50.2	$84.1	$92.9	$80.0	$72.9	$63.2
2. Excess of new obligational authority over budget receipts (line 1 minus line 6)........	13.1	36.0	30.8	14.8	4.2	-5.1
3. Excess of new obligational authority over budget expenditures (line 1 minus line 5)...........	10.0	39.5	26.8	5.4	-5.7	-8.9
4. Estimated unexpended balances of current authorizations carried into the year (not directly related to other figures)...........	13.5	15.6	52.0	73.6	81.3	81.1
5. Budget expenditures..........................	40.2	44.6	66.1	74.6	78.6	72.1
6. Budget receipts..............................	37.1	48.1	62.1	65.2	68.7	68.3
7. Budget deficit (-) or surplus (+)..............	-3.1	+3.5	-4.0	-9.4	-9.9	-3.8

The revised estimate of budget receipts is made in accordance with existing tax laws. It therefore takes account of the approximate 10 percent reduction in individual income taxes and the expiration of the excess profits tax effective on December 31, 1953, and the expiration of certain excise tax increases effective on March 31, 1954.

A reduction in the regular corporate tax rate of 5 percentage points is scheduled to take place on April 1, 1954. This expiration would not affect receipts in the fiscal year 1954. The estimated annual loss of revenue resulting from all these tax expirations is 8 billion dollars, the full effect of which would be reflected in the fiscal year 1955.

The budget deficit

The estimated fiscal year 1954 deficit presented in the January Budget has been reduced by 6.1 billion dollars—after allowing for the effect in 1954 of the spending necessary to meet part of the 81 billion dollars of unliquidated commitments carried forward from prior years. After the substantial cuts made in the 1954 Budget, a budget deficit of 3.8 billion dollars is now estimated for the fiscal year 1954.

The revised estimate of the 1954 budget deficit is 5.6 billion dollars less than the actual deficit for the fiscal year 1953.

Issues involved in budget reductions

An analysis of the estimated 1954 budget expenditures, as classified in Table 4, indicates the nature of the issues which must be faced in making further substantial Budget cuts. This table also highlights the relationship of relatively uncontrollable program costs to the national security and other costs of Government.

Three large national security programs—the military functions of the Defense Department, the Mutual Security Program, and Atomic Energy—comprise nearly 70 percent (50.0 billion dollars) of estimated 1954 total budget expenditures. The expenditures for these programs have been reduced by 978 million dollars from the fiscal year 1953 and by 5.6 billion dollars from the 1954 Budget transmitted to Congress in January.

It is in these major national security programs that large increases have taken place since the outbreak of aggression in Korea. Expenditures for them rose from 16.1 billion dollars in the fiscal year 1950 to a peak of 51.0 billion dollars in 1953, and to a projected total of 55.6 billion dollars as programmed in the 1954 January Budget.

Expenditures for major programs which are relatively uncontrollable under existing legislation are estimated at 14.7 billion dollars, or

Table 4
ANALYSIS INDICATING CONTROLLABILITY OF BUDGET EXPENDITURES
Fiscal years 1950 through 1954
(in millions)

Description	1950 actual	1951 actual	1952 actual	1953 actual	1954 estimated	
					January	Revised
MAJOR NATIONAL SECURITY ITEMS						
Department of Defense - military functions........................	$11,889	$19,772	$38,967	$43,638	$45,500	$41,700
Mutual Security Program..	3,687	4,000	4,812	5,538	7,402	6,000
Atomic Energy Commission......................................	550	897	1,670	1,802	2,700	2,300
Total..	16,126	24,669	45,449	50,978	55,602	50,000
RELATIVELY UNCONTROLLABLE MAJOR PROGRAMS UNDER EXISTING LEGISLATION						
Legislative and the Judiciary..................................	81	86	89	88	98	84
Interest on the public debt and refunds........................	5,817	5,714	5,934	6,589	6,420	6,575
Claims and judgments...	71	98	76	137	65	112
Veterans' compensation, pensions, and benefit programs.....	5,578	4,387	3,914	3,306	3,524	3,216
Payments to employees' retirement funds........................	306	305	312	324	430	34
Payment to railroad retirement fund............................	583	608	768	655	695	684
Grants to States for public assistance.........................	1,123	1,186	1,178	1,329	1,340	1,380
Grants to States for unemployment compensation and employment service administration........................	208	178	187	202	208	190
Veterans' unemployment compensation............................	-	-	-	26	47	40
Federal-aid highway grants.....................................	416	394	417	509	540	540
Conservation of agricultural land resources....................	213	274	261	273	254	212
Removal of surplus agricultural commodities....................	96	46	38	82	75	100
Agriculture price support......................................	1,674	[a]581	[a]128	1,888	729	1,500
Total..	16,166	12,695	13,046	15,408	14,425	14,667
ALL OTHER..	7,864	7,269	7,650	8,221	8,560	7,449
Total budget expenditures..........................	40,156	44,633	66,145	74,607	78,587	72,116

[a] Deduct, excess of repayments and collections over expenditures.

NOTE: For the fiscal years 1950, 1951, and 1952 the line for Mutual Security Program includes comparable foreign aid programs.

20 percent of total 1954 budget expenditures. This revised estimate is 741 million dollars below the 1953 level and 242 million dollars above the estimate in the 1954 Budget transmitted to Congress in January. The costs of these programs arise largely from factors that cannot be controlled in the budgetary process.

For some of these items, such as interest on the debt, expenditures in the next few years are inflexible. To reduce others, changes in existing legislation will be required. Grants to the States for various purposes make up a substantial portion of these relatively uncontrollable programs. A commission has been established to study these programs and the relationship of the Federal to State and local governments.

The remainder of the 1954 Budget amounts to 7.4 billion dollars, or only 10 percent of total estimated 1954 expenditures. This amount covers all other Government activities. These expenditures have been reduced by 772 million dollars from the fiscal year 1953, and by 1.1 billion dollars from the amount included in the January Budget.

Some of these other expenditures, such as those for stockpiling strategic and critical materials and for the Selective Service System, also are related to the national security. Others are only partly controllable through the budgetary process without changes in present laws. The remainder consists of programs which must be provided for in the Budget since they largely represent the essential day to day operations of the Federal Government--such as those of the regulatory and law enforcement agencies, tax collections, the postal system, the various other services rendered to the public, and the workload incident to administering the extensive assistance programs supported by the Government.

APPENDIX A

ANALYSIS OF BUDGET EXPENDITURES AND NEW OBLIGATIONAL AUTHORITY BY MAJOR PROGRAM

(See table on page 15)

Total budget expenditures for the fiscal year 1954 are estimated at 72.1 billion dollars, a reduction of 6.5 billion dollars from the January estimate.

Most of the reduction is in the military services category, for which expenditures are estimated at 3.9 billion dollars below the January figure, and in the international security and foreign relations category for which expenditures are estimated at 1.3 billion dollars under the January amount.

Two of the categories show increases over the January estimate. It is estimated that outlays for agriculture and agricultural resources will be 812 million dollars more than anticipated in January, mainly due to revised estimates for price support activities. Interest payments on the Federal debt are expected to be somewhat above the January estimate.

Total new obligational authority for the fiscal year 1954 is estimated at 63.2 billion dollars, a reduction of 9.7 billion dollars from the January estimate. Most of the major changes in new obligational authority are in the same categories as the major changes in expenditures.

The following section provides detail on the principal revisions in 1954 budget expenditures and new obligational authority for major program categories.

16.
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MILITARY SERVICES............$42.4 billion

Expenditures for military services are estimated at 42.4 billion dollars in the fiscal year 1954, 3.9 billion dollars below the January estimate and 2.1 billion dollars below actual expenditures in 1953.

Most of the expenditures in this category are for the military programs of the Department of Defense, for which expenditures are estimated at 41.6 billion dollars in the fiscal year 1954, compared with the January estimate of 45.4 billion dollars. The larger part of the reduction, or 2.9 billion dollars, is in the combined areas of military personnel, maintenance and operation of facilities, and other costs. The remainder is in major procurement and production, for which expenditures are estimated at 16.5 billion dollars, compared to 17.4 billion dollars in January.

These estimates do not anticipate adjustments which may result from security studies undertaken by the new Joint Chiefs of Staff, on which recommendations will be made to the Secretary of Defense, the National Security Council, and the President.

Outlays for the stockpile of strategic and critical materials are estimated at 800 million dollars, a decrease of 100 million dollars from the January estimate.

Expenditures for military services have been rising steadily since the outbreak of hostilities in Korea. In the fiscal year 1950, the last pre-Korea year, expenditures were 12.3 billion dollars. This amount was less than half of the total budget expenditures in that year. The fiscal year 1953 total of 44.5 billion dollars, an almost fourfold increase over 1950, represents a higher level of military spending than for any other year since World War II. During this period, the proportion of total budget expenditures for military services rose continuously, reaching a peak of nearly 60 percent in the fiscal year 1953. Expenditures of 42.4 billion dollars estimated for the current fiscal year—2.1 billion dollars below the 1953 level—represent the first decline since Korea.

INTERNATIONAL SECURITY AND FOREIGN RELATIONS...........$6.6 billion

For international security and foreign relations, expenditures are estimated at 6.6 billion dollars for the fiscal year 1954, 1.3 billion dollars less than was estimated in January.

Expenditures for the Mutual Security Program are estimated at 6.0 billion dollars for fiscal year 1954, compared with 7.4 billion dollars in the January Budget. This reduction reflects congressional action on the 1954 Budget and efforts by the executive branch to bring foreign aid expenditures under closer control.

The new obligational authority of 6.5 billion dollars for this program for 1954 is 1.1 billion dollars lower than anticipated in January. This figure includes nearly 2.0 billion dollars in unobligated balances of prior year authorizations which were reappropriated by the Congress.

The main impact of the reduction in new obligational authority is not expected to appear in expenditures until 1955 or later. This is due to the carryover of unexpended balances of prior year authorizations, largely obligated for military assistance goods which are still in production. Deliveries of these goods are scheduled to reach a peak during the current fiscal year.

Expenditures for other international programs are estimated at 592 million dollars, 133 million dollars higher than was estimated in January. Reductions in the foreign information program and the State Department have been more than offset by new activities not included in the January estimate, particularly Korean reconstruction and rehabilitation and new loans made by the Export-Import Bank.

A supplemental appropriation of 2 million dollars is anticipated for the recently authorized program to admit 214,000 refugees to the United States under special quotas.

VETERANS' SERVICES AND BENEFITS...........$4.2 billion

Expenditures for veterans' programs in the fiscal year 1954 are estimated at 4.2 billion dollars, 350 million dollars below the January estimate and 86 million dollars below actual expenditures in 1953. The reduction from the January estimate results largely from lower estimated expenditures for readjustment benefits and compensation and pension payments.

Expenditures for readjustment benefits are estimated at 620 million dollars, 264 million dollars less than the January estimate. The number of World War II veterans receiving benefits under this program is rapidly decreasing. Korean veterans are participating in increasing numbers, but the rise is less rapid than was contemplated in January.

Expenditures for compensation and pension payments are estimated at 2.5 billion dollars, 100 million dollars below the January estimate. It is expected that a supplemental appropriation of approximately 200 million dollars will be required this fiscal year in order to meet benefit payments authorized by law.

SOCIAL SECURITY, WELFARE, AND HEALTH...........$2.6 billion

For social security, welfare, and health, expenditures in the fiscal year 1954 are estimated at 2.6 billion dollars, an increase of 40 million dollars over 1953 and a decrease of 7 million dollars from the January estimate.

Almost two-thirds of the 1954 expenditures are for grants-in-aid to State and local governments, including public assistance, hospital construction, school lunch, and various health programs. Grants-in-aid are estimated at 1.6 billion dollars for 1954, an increase of 16 million dollars over the January estimate and 17 million dollars over 1953 expenditures.

An anticipated supplemental appropriation of 40 million dollars for grants to States for aid to the needy aged, the blind, dependent children, and the totally disabled, will be required. This is due to a somewhat slower decline in the number of beneficiaries than originally anticipated, and a continued trend toward higher average payment per beneficiary.

Expenditures for the railroad retirement program are estimated at 684 million dollars in 1954, compared with 695 million dollars estimated in January. This decrease is due to a lower estimate of railroad retirement tax collections, which are automatically appropriated for transfer to the retirement account.

HOUSING AND COMMUNITY DEVELOPMENT...........$7 million (net)

Net expenditures for housing and community development for the fiscal year 1954 are estimated at 7 million dollars, 502 million dollars below the January Budget estimate.

Expenditures by the Federal National Mortgage Association are estimated at 65 million dollars--289 million dollars below the January estimate. With the recent increase in interest rates on FHA and VA mortgages, private lenders are expected to supply a larger proportion of mortgage funds, reducing the need for Government purchases. In addition, more extensive sales of mortgages now held by the Government are planned, depending upon the state of the market.

Net receipts of 58 million dollars for 1954 are estimated for all other housing and community development programs as compared with the January estimate of 155 million dollars in net expenditures. The largest single reduction--204 million dollars--was made in the low rent public housing program, chiefly as a result of a revised policy increasing the proportion of public housing loans financed by private lenders.

A supplemental request of 7 million dollars is anticipated for payment of the Government's contractual liability for annual contributions for the low rent housing program.

EDUCATION AND GENERAL RESEARCH...........$276 million

Expenditures in the fiscal year 1954 for education and general research are estimated at 276 million dollars, compared with the January estimate of 288 million dollars, and expenditures of 274 million dollars in 1953.

Operating savings were partially offset by an increase in expenditures for assistance to schools in areas affected by Federal activities, largely due to the extension of the program of school construction grants to these areas.

AGRICULTURE AND AGRICULTURAL RESOURCES...........$2.6 billion

For agriculture and agricultural resources, expenditures in the fiscal year 1954 are estimated at 2.6 billion dollars, 812 million dollars higher than the January estimate, but 242 million dollars below actual expenditures in 1953. The increase in the current estimate from the total estimated in January is due largely to anticipated higher expenditures for farm price supports.

Under existing legislation, which provides for mandatory price support of the major crops at 90 percent of parity, the level of expenditures depends on crop conditions and the demand for agricultural commodities. Larger production from the 1953 corn and wheat crops and a greater reduction in the export market for these crops than was anticipated in January will result in a larger volume of commodity loans and inventories held by the Commodity Credit Corporation in the fiscal year 1954. The estimate of farm price support expenditures in 1954 is 1.5 billion dollars, an increase of 771 million dollars from the January estimate. In the fiscal year 1953, expenditures of the Corporation were 1.1 billion dollars more than estimated in January.

Programs other than price support account for 41 million dollars of the increase in the revised estimate of 1954 expenditures over the January figure. A major factor in this increase is the additional expenditure of 100 million dollars for disaster aid for farmers affected by the severe drought, particularly in the Southwest. This increase is offset in part by reductions in other programs.

NATURAL RESOURCES...........$3.5 billion

Expenditures for natural resources in the fiscal year 1954 are estimated at 3.5 billion dollars, 607 million dollars less than the January estimate, and 318 million dollars more than was spent in 1953.

About two-thirds of the 1954 expenditures will be made by the Atomic Energy Commission. The current estimate for this agency is 400 million dollars below that in the January Budget and 498 million dollars above actual expenditures in 1953. The reduction from the January figure results largely from adjustments in the plant expansion program and a downward revision of operating costs based on the actual cost experience in 1953.

Expenditures for uranium ore procurement, production of fissionable materials and atomic weapons, research and development, and other operations will increase from about 700 million dollars in the fiscal year 1953 to about

900 million dollars in 1954 as newly completed plants are brought into operation. Expenditures for new plant and equipment will increase from about 1.1 billion dollars in 1953 to about 1.4 billion dollars in 1954. Although the construction expenditures at certain installations will fall off as the plants approach completion, such reductions will be more than offset by increased outlays elsewhere, particularly in construction activities at Oak Ridge, Tennessee; Portsmouth, Ohio; and Hanford, Washington. Barring unforeseen developments, expenditures by the Commission are expected to reach a peak in the fiscal year 1954.

Expenditures for all other activities in the natural resources category are estimated at 1.2 billion dollars compared with 1.4 billion dollars in January. These expenditures are largely for development of land and water resources, including power. Most of the reduction results from a restrictive policy regarding new projects and stretch-outs in work on projects under way.

TRANSPORTATION AND COMMUNICATION............$1.8 billion

For transportation and communication, expenditures for the fiscal year 1954 are estimated at 1.8 billion dollars, a reduction of 246 million dollars below the January estimate, and 202 million dollars below actual expenditures for the fiscal year 1953. The smaller postal deficit accounts for most of the reduction from the January estimate. With anticipated operating economies and higher parcel post rates, the postal deficit is estimated at 450 million dollars, or 139 million dollars below the January estimate. Other significant reductions are in the Coast Guard and the Civil Aeronautics Administration.

Federal-aid highway expenditures, which account for nearly one-third of the total for transportation and communication, are not expected to differ from the 540 million dollars estimated in January. These outlays are governed by prior commitments, authorized in basic Federal highway legislation. It is anticipated that a supplemental appropriation of 65 million dollars to permit the full liquidation of these commitments will be required.

A supplemental appropriation of 20 million dollars for maritime activities is anticipated to meet payments falling due under existing contracts for ship operating subsidies.

FINANCE, COMMERCE, AND INDUSTRY...........$182 million

Expenditures for finance, commerce, and industry for the fiscal year 1954 are estimated at 182 million dollars, compared with the January estimate of 275 million dollars. Most of this reduction is due to increased receipts from an anticipated acceleration in the disposal of loans by the Reconstruction Finance Corporation. Administrative expenses for defense production activities have also been reduced substantially. Expenditures for financial assistance to expand defense production are estimated at 200 million dollars, the same as in the January Budget; for the most part these expenditures result from commitments previously made.

LABOR............$245 million

Expenditures for labor programs in the fiscal year 1954 are estimated at 245 million dollars, 23 million dollars less than the January estimate and 14 million dollars less than expenditures in 1953. Grants to the States for unemployment compensation and employment services administration are estimated at 190 million dollars compared with the January estimate of 208 million dollars. These grants account for approximately 80 percent of the expenditures for labor.

GENERAL GOVERNMENT............$1.1 billion

Expenditures in the fiscal year 1954 for programs classified as general government are estimated at 1.1 billion dollars, 462 million dollars below the January estimate, and 323 million dollars below actual expenditures in 1953.

Estimated payments to the Civil Service Retirement and Disability Fund will be 396 million dollars less than anticipated in January. This reduction largely reflects the deferral by the Congress of the Government's contribution to the fund pending the report of the Committee on Retirement Policy for Federal Personnel, due next year.

Estimated expenditures for central property and records management are 53 million dollars less than anticipated in January. Payments for claims and judgments are estimated at 112 million dollars--47 million dollars above the January figure. The increase represents chiefly the payment of certified claims arising primarily from military procurement contracts.

Expenditures of 787 million dollars estimated for all other general government activities such as tax collection and the administration of the debt show a reduction of 60 million dollars from the January Budget.

INTEREST............$6.6 billion

Interest payments in the fiscal year 1954 are expected to be 6.6 billion dollars, 155 million dollars higher than was estimated in January. Interest rates on new Government securities reflect prevailing market rates. Moreover, the interest bearing debt was 2.2 billion dollars larger on June 30, 1953, than earlier anticipated.

SUMMARY OF BUDGET EXPENDITURES AND NEW OBLIGATIONAL AUTHORITY
By major program
Fiscal years 1953 and 1954
(in millions)

Description	1953 actual	1954 Budget Document Jan.1953	1954 Enacted basis	1954 Proposed supplementals	1954 Total estimated 1954
BUDGET EXPENDITURES					
Military services	$44,466	$46,296	$42,369	-	$42,369
International security and foreign relations	6,014	7,861	6,591	$1	6,592
Veterans' services and benefits	4,300	4,564	4,014	200	4,214
Social security, welfare, health	2,532	2,579	2,532	40	2,572
Housing and community development	560	509	7	-	7
Education and general research	274	288	276	-	276
Agriculture and agricultural resources	2,881	1,827	2,639	-	2,639
Natural resources	3,172	4,097	3,490	-	3,490
Transportation and communication	1,972	2,016	1,685	[1]65 20	1,770
Finance, commerce, and industry	180	275	182	-	182
Labor	259	268	245	*	245
General government	1,408	1,547	1,085	-	1,085
Interest	6,589	6,420	6,575	-	6,575
Reserve for contingencies	-	40	-	100	100
Total budget expenditures	74,607	78,587	71,690	426	72,116
NEW OBLIGATIONAL AUTHORITY					
Military services	47,761	41,535	34,599	-	34,599
International security and foreign relations	6,690	8,011	6,958	2	6,960
Veterans' services and benefits	4,131	4,617	4,010	200	4,210
Social security, welfare, health	2,507	2,563	2,508	40	2,548
Housing and community development	1,522	691	607	7	614
Education and general research	329	177	209	-	209
Agriculture and agricultural resources	1,333	1,455	1,535		1,535
Natural resources	5,575	3,459	2,745	-	2,745
Transportation and communication	1,864	2,061	1,693	20	1,713
Finance, commerce, and industry	137	88	100		100
Labor	256	278	247	*	247
General government	1,305	1,478	984	-	984
Interest	6,589	6,420	6,575	-	6,575
Reserve for contingencies	-	50	-	150	150
Total new obligational authority	79,999	72,883	62,770	419	63,189
EXCESS OF NEW OBLIGATIONAL AUTHORITY OVER BUDGET EXPENDITURES	+5,392	-5,704	-8,920	-7	-8,927

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* Less than one-half million.

[1] Estimated expenditures from proposed appropriations to liquidate contract authorizations.

APPENDIX B

1. Résumé of Budget Receipts, Expenditures, and Public Debt.
2. Budget Expenditures by Major Agency.
3. New Obligational Authority by Major Agency.
4. Receipts from and Payments to the Public.
5. Comparison of estimated with actual expenditures for fiscal year 1953.
6. Glossary of selected Budget terms.

RÉSUMÉ OF BUDGET RECEIPTS, EXPENDITURES, AND PUBLIC DEBT
Fiscal years 1953 and 1954
(in millions)

Description	1953	1954 estimated	
	actual	January	Revised
PART A - BUDGET RECEIPTS AND EXPENDITURES			
BUDGET RECEIPTS:			
Direct taxes on individuals	$33,370	$34,334	$34,870
Direct taxes on corporations	21,595	23,300	22,540
Excise taxes	9,978	9,869	10,005
Employment taxes	4,998	5,249	5,450
Customs	613	590	610
Miscellaneous receipts	1,902	2,180	2,200
Total	72,456	75,522	75,675
Deduct:			
Appropriations to Federal old-age and survivors insurance trust fund	4,086	4,298	4,510
Refunds of receipts (excluding interest)	3,152	2,559	2,860
Total budget receipts	65,218	68,665	68,305
BUDGET EXPENDITURES:			
Military services	44,466	46,296	42,369
International security and foreign relations	6,014	7,861	6,592
Veterans' services and benefits	4,300	4,564	4,214
Social security, welfare, and health	2,532	2,579	2,572
Housing and community development	560	509	7
Education and general research	274	288	276
Agriculture and agricultural resources	2,881	1,827	2,639
Natural resources	3,172	4,097	3,490
Transportation and communication	1,972	2,016	1,770
Finance, commerce, and industry	180	275	182
Labor	259	268	245
General government	1,408	1,547	1,085
Interest	6,589	6,420	6,575
Reserve for contingencies	-	40	100
Total budget expenditures	74,607	78,587	72,116
Budget deficit	9,389	9,922	3,811
PART B - PUBLIC DEBT			
Public debt at beginning of year	$259,105	$263,900	$266,071
Change due to budget deficit (+)	+9,389	+9,922	+3,811
Other changes in public debt	-2,423	-22	+1,218
Public debt at end of year	266,071	273,800	271,100

SUMMARY OF BUDGET EXPENDITURES
By major agency
Fiscal years 1953 and 1954
(in millions)

Agency or organization unit	1953 actual	1954 estimated			
		Budget Document Jan.1953	Enacted Basis	Proposed supplementals	Total estimated 1954
Legislative and the Judiciary.......	$88	$98	$84	-	$84
Executive Office of the President...	9	8	9	-	9
Funds appropriated to the President:					
Mutual Security Program...........	5,538	7,402	6,000	-	6,000
Other............................	111	254	282	$1	283
Independent offices:					
Atomic Energy Commission..........	1,802	2,700	2,300	-	2,300
Civil Service Commission..........	346	450	52	-	52
Export-Import Bank of Washington..	112	45	165	-	165
Railroad Retirement Board.........	666	706	695	-	695
Reconstruction Finance Corporation	[a] 150	[a] 120	[a] 309	-	[a] 309
Tennessee Valley Authority........	189	243	190	-	190
United States Information Agency..	108	129	84	-	84
Veterans Administration...........	4,335	4,494	4,046	200	4,246
Other............................	250	365	292	-	292
General Services Administration.....	1,095	1,126	966	-	966
Housing and Home Finance Agency:					
Federal National Mortgage Assoc. .	369	354	65	-	65
Other............................	13	25	[a] 202	-	[a] 202
Department of Agriculture:					
Commodity Credit Corporation......	1,888	729	1,500	-	1,500
Other............................	1,278	1,253	1,346	-	1,346
Department of Commerce..............	1,106	1,111	1,021	[1] 65 20	1,106
Department of Defense:					
Military functions................	43,638	45,500	41,700	-	41,700
Civil functions...................	710	640	560	-	560
Department of Health, Education, Welfare.........................	1,912	1,904	1,890	40	1,930
Department of the Interior..........	577	659	534	-	534
Department of Justice...............	172	184	180	-	180
Department of Labor.................	300	321	296	*	296
Post Office Department (general fund)	581	589	450	-	450
Department of State.................	158	188	158	-	158
Treasury Department:					
Interest on the public debt and refunds.........................	6,589	6,420	6,575	-	6,575
Other............................	806	758	749	-	749
District of Columbia:					
Federal contribution..............	11	12	12	-	12
Reserve for contingencies...........	-	40	-	100	100
Total expenditures..........	74,607	78,587	71,690	426	72,116

[a] Deduct, excess of repayments and collections over expenditures.

[1] Estimated expenditures from proposed appropriations to liquidate contract authorizations.

* Less than one-half million.

NOTE: Agency figures shown herein have been adjusted for comparative purposes to reflect reorganizations approved by the 83d Congress, 1st session.

SUMMARY OF NEW OBLIGATIONAL AUTHORITY
By major agency
Fiscal years 1953 and 1954
(in millions)

Agency or organization unit	1953 actual	1954			
		Budget Document Jan.1953	Enacted	Proposed supple-mentals	Total estimated 1954
Legislative and the Judiciary........	$104	$113	$98	-	$98
Executive Office of the President...	9	8	9	-	9
Funds appropriated to the President:					
Mutual Security Program............	6,450	7,600	6,475	-	6,475
Other.............................	1	51	204	$2	206
Independent offices:					
Atomic Energy Commission..........	4,144	1,997	1,716	-	1,716
Civil Service Commission..........	344	450	52	-	52
Export-Import Bank of Washington..	-	-	-	-	-
Railroad Retirement Board.........	666	706	695	-	695
Reconstruction Finance Corporation	-	-	-	-	-
Tennessee Valley Authority........	336	254	189	-	189
United States Information Agency..	89	155	80	-	80
Veterans Administration...........	4,191	4,554	4,055	200	4,255
Other.............................	338	433	318	-	318
General Services Administration.....	316	396	163	-	163
Housing and Home Finance Agency:					
Federal National Mortgage Assoc. .	900	-	-	-	-
Other.............................	454	506	433	7	440
Department of Agriculture:					
Commodity Credit Corporation......	303	289	275	-	275
Other.............................	1,205	1,322	1,445	-	1,445
Department of Commerce..............	990	1,157	971	20	991
Department of Defense:					
Military functions................	47,544	41,319	34,565	-	34,565
Civil functions...................	595	688	446	-	446
Department of Health, Education, Welfare...........................	1,935	1,773	1,797	40	1,837
Department of the Interior..........	591	664	487	-	487
Department of Justice...............	173	187	179	-	179
Department of Labor.................	295	332	297	*	297
Post Office Department (general fund)	581	589	450	-	450
Department of State.................	150	177	144	-	144
Treasury Department:					
Interest on the public debt and refunds........................	6,589	6,420	6,575	-	6,575
Other.............................	695	681	640	-	640
District of Columbia:					
Federal contribution..............	11	12	12	-	12
Reserve for contingencies...........	-	50	-	150	150
Total, new obligational authority	79,999	72,883	62,770	419	63,189

* Less than one-half million.

NOTE: Agency figures shown herein have been adjusted for comparative purposes to reflect reorganizations approved by the 83d Congress, 1st session.

RECEIPTS FROM AND PAYMENTS TO THE PUBLIC

To show the total flow of money between the public and the Federal Government, a statement of "receipts from and payments to the public" has been developed. This statement has also been called the "consolidated cash budget" and "cash income and outgo of the United States Treasury."

In order to derive the totals of receipts from and payments to the public, it is necessary to consolidate budget and trust fund transactions. Transactions between Government agencies and trust funds, such as interest paid by the Treasury to trust funds and the Government payment to the civil service retirement fund, are eliminated in this consolidation, since there is no cash received from or paid to the public.

Certain other noncash transactions are also eliminated in the consolidation. For example, interest which accrues on savings bonds is counted as a budget expenditure at the time of accrual. But the interest is not paid in cash until the bonds are redeemed. Hence, the consolidation eliminates the interest accruals and includes the interest paid at the time of redemption.

The table below shows how the totals of receipts from and payments to the public are derived from budget receipts and expenditures.

RECEIPTS FROM AND PAYMENTS TO THE PUBLIC
Fiscal years 1953 and 1954
(in billions)

Description	1953 actual	1954 estimated	
		January	Revised
Budget receipts	$65.2	$68.7	$68.3
Trust fund receipts	8.9	9.5	9.4
Intragovernmental transactions	-2.8	-3.0	-2.6
Seigniorage on silver	-.1	-.1	-.1
Total receipts from the public	71.3	75.1	75.1
Budget expenditures	74.6	78.6	72.1
Trust fund expenditures	5.3	6.3	6.6
Intragovernmental transactions	-2.8	-3.0	-2.6
Net accrued interest and other noncash transactions	.5	-.1	-.6
Total payments to the public	76.6	81.8	75.5
Excess of payments over receipts	5.3	6.6	.5

NOTE: Detail does not add to totals because of rounding.

COMPARISON OF ESTIMATED WITH ACTUAL EXPENDITURES FOR FISCAL YEAR 1953
(in millions)

Agency or organization unit	1953 expenditures Jan.Budget	Actual 1953 expenditures	Difference
AGENCIES WHOSE ACTUAL EXPENDITURES EXCEEDED THE ESTIMATE CONTAINED IN THE JANUARY BUDGET			
Funds appropriated to the President:			
Mutual Security Program....................	$5,506	$5,538	$32
Independent offices:			
Civil Service Commission..................	345	346	1
Export-Import Bank of Washington..........	83	112	29
Department of Agriculture:			
Commodity Credit Corporation..............	809	1,888	1,079
Department of Defense:			
Military functions........................	43,400	43,638	238
Civil functions...........................	659	710	51
Department of Justice.......................	171	172	1
Department of Labor.........................	292	300	8
Treasury Department:			
Interest on the public debt...............	6,450	6,508	58
Other.....................................	821	887	66
Subtotal........................	58,536	60,099	1,563
AGENCIES WHOSE ACTUAL EXPENDITURES WERE LESS THAN THOSE ESTIMATED IN THE JANUARY BUDGET			
Legislative and the Judiciary...............	97	88	9
Funds appropriated to the President:			
Defense Production........................	318	87	231
Independent offices:			
Atomic Energy Commission..................	2,000	1,802	198
Economic Stabilization Agency.............	71	64	7
Federal Civil Defense Administration......	81	64	17
Railroad Retirement Board.................	694	666	28
Reconstruction Finance Corporation........	[a]56	[a]150	94
Tennessee Valley Authority................	232	189	43
Veterans Administration...................	4,584	4,335	249
General Services Administration.............	1,261	1,095	166
Housing and Home Finance Agency:			
Federal National Mortgage Association.....	459	369	90
Other.....................................	80	13	67
Department of Agriculture, other than Commodity Credit Corporation..............	1,334	1,191	143
Department of Commerce......................	1,097	1,026	71
Department of Health, Education, Welfare....	1,941	1,912	29
Department of the Interior..................	616	577	39
Post Office Department......................	666	660	6
Department of State.........................	275	266	9
Other.......................................	307	254	53
Subtotal........................	16,057	14,508	1,549
GRAND TOTAL.....................	74,593	74,607	+14

[a] Deduct, excess of repayments and collections over expenditures.

NOTE: This table is based on the Daily Treasury Statement classification as of June 30, 1953.

GLOSSARY OF SELECTED BUDGET TERMS

New obligational authority. The total amount of budget authorizations to incur obligations granted by the Congress to the Federal agencies for a given year, usually in the form of appropriations. This may include unused portions of prior year authorizations which are continued after they would otherwise expire, i. e., reauthorizations. This is the initial action which must precede all budget expenditures.

Obligations. Actions taken by the agencies within their available obligational authority to buy goods and procure services requiring in due time the payment of money (expenditures). Obligations may be in the form of orders placed, contracts awarded, personal and contractual services ordered and similar transactions.

Budget expenditures. With a few exceptions, they are actual cash paid out under budget authorizations, granted either in the current year or in previous years. The usual procedure is that obligations are incurred under new obligational authority. Obligations are then liquidated by expenditures which may take place three or even more years after an obligation has been incurred. Excludes spending of funds held in trust.

Budget receipts. Federal income consisting of personal and corporate taxes, excises, customs, and other revenues. Excludes funds received in trust.

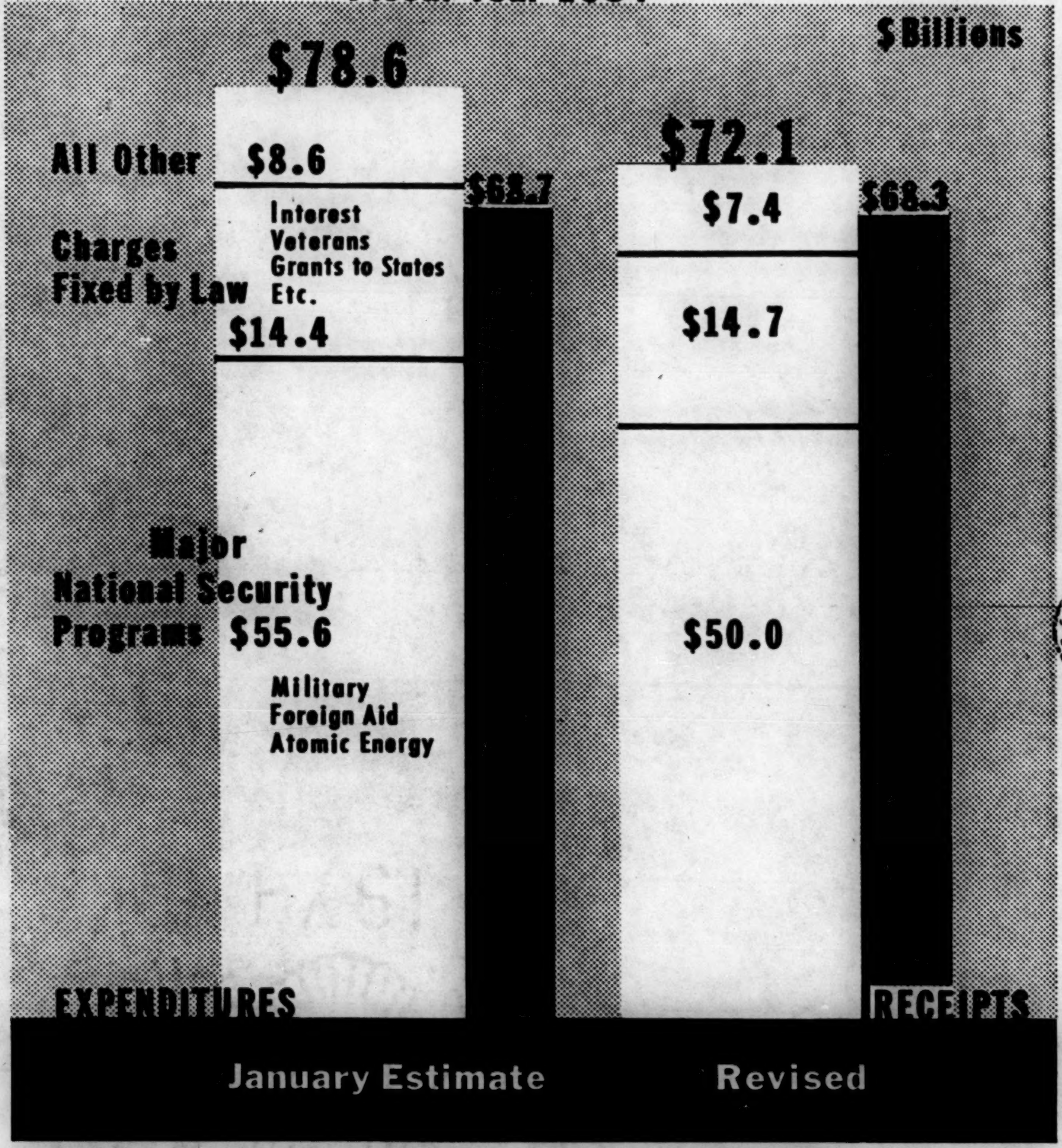
Budget deficit. The excess of budget expenditures over budget receipts.

Budget surplus. The excess of budget receipts over budget expenditures.

Unexpended balances of prior year authorizations. The unexpended portions of prior year authorizations, largely obligated, which are brought forward and are currently available for expenditure. They are commitments for which actual funds were not provided in prior years and which must be met as expenditures in the current or future years.

The FEDERAL BUDGET

Fiscal Year 1954

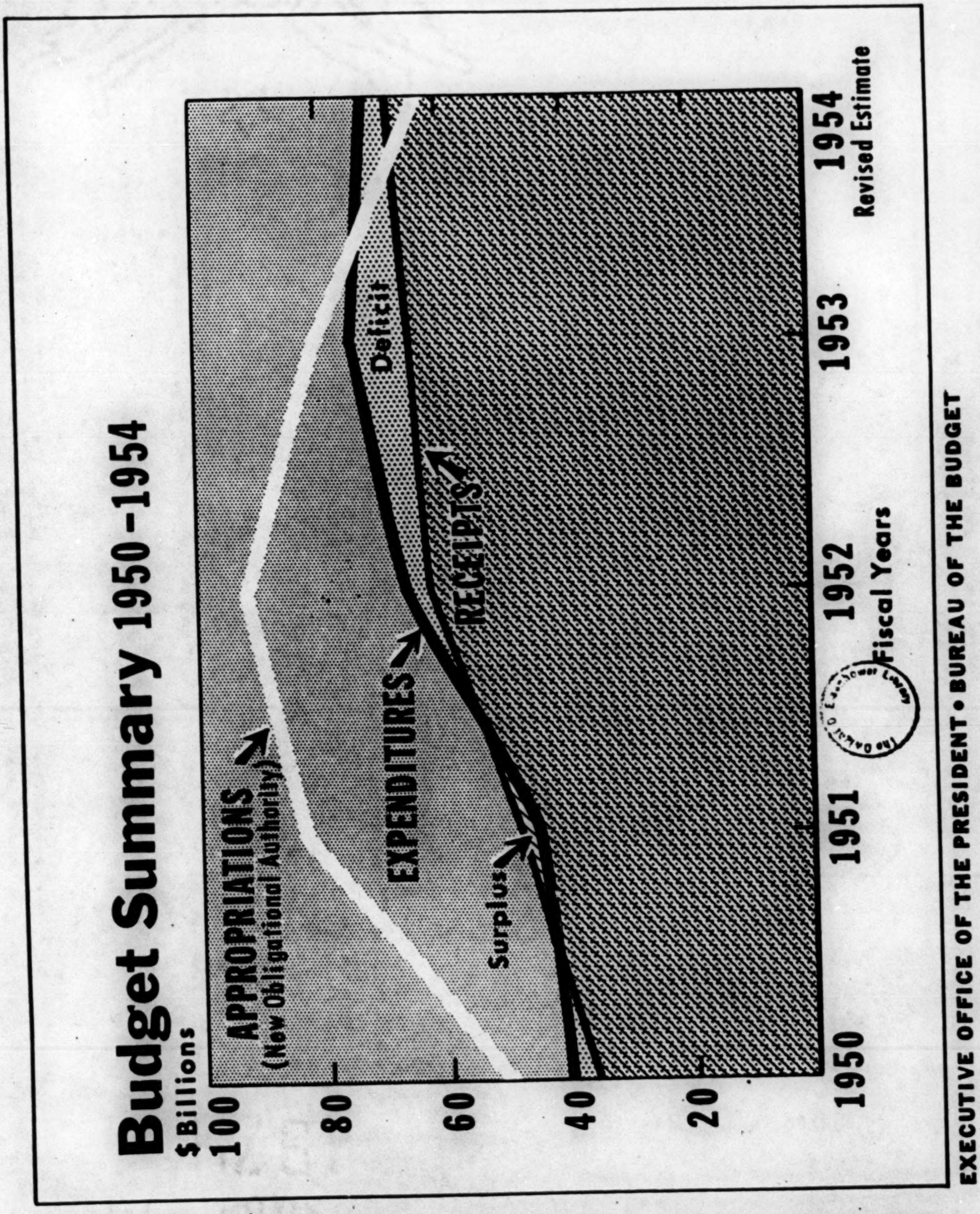


EXECUTIVE OFFICE OF THE PRESIDENT • BUREAU OF THE BUDGET

CONFIDENTIAL!

This chart relating to the Review of the 1954 Budget is for release at 7 P.M., Eastern Daylight Time, Thursday, August 27, 1953.

HOLD FOR RELEASE • PLEASE GUARD AGAINST PREMATURE PUBLICATION



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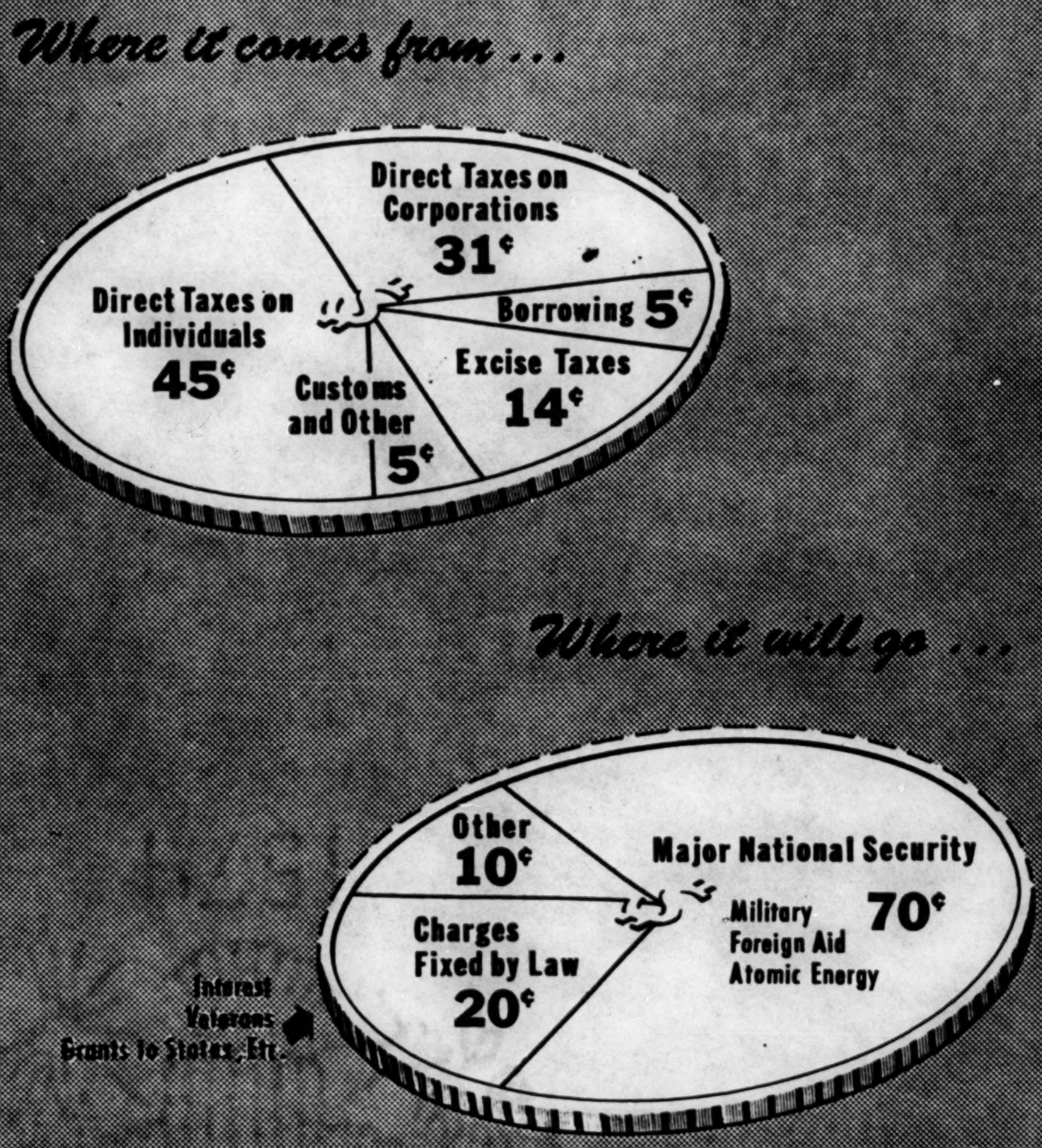
THE BUDGET DOLLAR

Fiscal Year 1954 Revised



EXECUTIVE OFFICE OF THE PRESIDENT • BUREAU OF THE BUDGET

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HOLD FOR RELEASE • PLEASE GUARD AGAINST PREMATURE PUBLICATION

The United States Representative to the United Nations

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, September 25, 1953

1. Planning Operations for National Economic Stability.
(The Vice President)

2. Deadline for State of Union Material.
(The Assistant to the President)

3. June Buying.
(The Director of the Budget)

4. Status of Apportionments and Reserves.
(The Director of the Budget)

5. Legislation on Security Matters.
(The Attorney General)

6. Announcement of Cost of Living Index Changes.
(The Secretary of the Treasury)

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By BNC NLE, Date 7-28-76

MINUTES OF CABINET MEETING

September 25, 1953

10:00 A. M. to 12:00 Noon

The following were present:

The President

Vice President Nixon
Secretary Dulles
Secretary Humphrey
Secretary Wilson
Mr. Brownell
Mr. Summerfield
Secretary McKay
Secretary Benson
Secretary Weeks
Mr. Mashburn, Acting Secretary of Labor
Secretary Hobby

Dr. Arthur Burns
Mr. Dodge
Governor Stassen
Mr. Flemming
Governor Adams
General Persons
Mr. Shanley
Mr. C. D. Jackson
Mr. Walter Williams
Dr. Hauge

Planning for National Economic Stability - Dr. Arthur Burns cited the several economic "indicators" which show the need for precautionary planning against a possible economic downturn. He felt the situation was not critical because of items of strength in the economy such as recent withstanding of the credit squeeze, favorable income distribution among the citizenry, and basic health of the inventory situation. He described the thinking of the Council of Economic Advisers in this planning as emphasizing monetary policy and private business action, tax reductions rather than increased government expenditures, and practical government programs to the extent necessary with preference given to loans and loan guarantees rather than direct government construction. The legislative action which will be required is under study and preparation in Treasury and Housing and Home Finance Agency.

The President suggested the desirability of coordinating with the Council of Economic Advisers the statement of programs now being prepared for use in the State of the Union Message.

Secretary Humphrey noted his accord with the CEA thinking and reviewed the credit operations of Treasury and the Federal Reserve Board. The latter will continue to "release" more money for several months to come. He commented also on the complexity of this problem as a result of national security needs.

In the belief that the labor-farm share of national income is declining, Governor Stassen queried whether this were not dangerous and suggested the need for raising minimum wages along with a lowering of interest rates on private housing. Messrs. Humphrey, Weeks, and Dodge saw no threat in this respect from current interest levels. Dr. Burns pointed out that although the farm income percentage has dropped,

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By BHC NLE, Date 7-28-76

the wage and salary share has increased and that during this Administration the combined farm-labor share has remained constant at 90%. This compares favorably to the 80% level of 1929.

The President recalled the campaign pledges of all Republicans to use the full government power to prevent "another 1929", and he asserted the only item in question is the Republican desire to assure the maximum of activity by the individual.

Secretary Humphrey commented that because of all the record "highs" now present, the only way for the economy to go is "down", and a few readjustments are not to be feared. He felt employment can decline for six or seven months without becoming critical. The critical level cannot be determined now because of so many variable factors. Governor Stassen later questioned this on the basis that we can expect eventually a $400 billion national economy. Secretary Wilson believed an average yearly increase of three or four percent is possible and desirable. Dr. Burns commented that the six or seven percent increase of last year cannot be a continuing pace. The President noted the sensitivity of the Administration to public reactions because of the number of "big businessmen" in it. He felt no group was more concerned than this Cabinet with the welfare of the people.

Secretary Benson noted that some downturn in farm prices was inevitable, that the Administration must be sympathetic in the situation, and that the greatest need is for less reliance on the Federal government.

Periodic Economic Reports - Secretary Humphrey again called attention to the sensational headlines given the new slight rise in the cost of living. He noted the existence of four separate monthly economic reports and suggested that the department heads responsible should study these prior to issuance and consider advisability of a press conference to stress any necessary background. He emphasized the relative stability of prices in general, and Mr. Benson did the same for farm prices. The Vice President stressed the psychological reactions of businessmen and urged that they be well informed on stability and on Administration determination to maintain stability. Mr. Dulles seconded this by noting he felt a "near panic" sentiment among people in New York City.

The President received favorably the suggestion from Mr. Benson and Mrs. Hobby that he devote a speech, preferably on television, to emphasizing stability.

Mr. Dodge pointed out that the Budget Bureau has a project underway to coordinate the several periodic reports.

(Dr. Burns left the meeting at this point.)

Cabinet Agenda - The President suggested that each Cabinet officer review the week's events in his department and make a brief report on anything of interest or importance to the Cabinet, thus incidentally correcting distortions in the press.

State of the Union Message - Governor Adams noted the early October deadline for submission of material for this message, and he announced that Mr. Harlow would be in charge of organizing it at the White House. The White House will do the necessary clearing with the Budget Bureau.

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Mrs. Hobby commented that any reduction of the HEW budget would require modification of grants-in-aid to States, and that criticism would be forthcoming that insufficient notice was given. She felt that HEW should move ahead with this, nevertheless.

The President, in reply to a query from Mrs.Hobby, noted that both specific and general material is needed for the message, depending somewhat on the status of plans in the departments. He stressed the necessity of having ready on January 3rd as specific a program as possible, for the Administration will then have been in office nearly a year.

June Buying - Director Dodge reported that there has been no evidence of deliberate overbuying at the end of the fiscal year, but 30 agencies (out of 79) had in June exceeded previous rates. In ten of these, reserves of about $1 million have been set up against their 1954 budgets.

Apportionments and Reserves - Director Dodge reported the action taken under a Congressional directive. Reserves in the 1954 budget have been established which will bring about $62 million of firm savings, $52 million for future distribution, nearly $1 billion for expenditure in future years, and $4.2 billion for contingencies.

Internal Security Legislation - Mr. Brownell reported that Justice has at the request of the National Security Council initiated a study of the possible need for new legislation in this field, and he invited the comments or suggestions of other departments.

Employee Security Program - Messrs. Summerfield and Brownell raised the question of public announcements of action taken under the Executive Order on Employee Security. The President felt this program should be conducted as openly as possible, not as a "Star Chamber" operation. The Vice President stressed the need for public reports since this issue had been of much concern to the American people in the last election.

Mrs. Hobby felt that announcements should be treated as a routine matter. Secretary Wilson believed the whole matter should be carried out quickly and as quietly as possible.

Mr. Brownell was directed to study the question of announcements with Chairman Young and to report at the next Cabinet meeting.

Distribution of Speeches by Administration Officials - Mr. Summerfield requested that copies of speeches be sent to each Cabinet member. The President directed that such circularization be made a routine through the press officers of each department.

Drought Situation - Secretary Benson, in reporting on changes in the drought situation, stressed the crisis in Missouri. Lack of a cover crop in many places may cause winter erosion. He noted the need for more funds for the feed program than the $40 million appropriated by Congress, and said he has suggested to Director Dodge that some of the President's emergency fund be used.

Mr. Benson stated that the situation in respect to cattle prices is the more serious because of the near advent of the marketing season, and that present beef marketing programs need to be stepped up to hold

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prices stable. Governor Stassen commented that the FOA program can be increased if the United States is willing to subsidize the sales abroad, for the British, for instance, can purchase Argentina beef at a price 40% lower than ours.

It was agreed that Cabinet members would be alert for opportunities to assist in the government program of beef purchases.

Manila Veterans Hospital Construction - As an example of potential duplication and waste,.the President read an excerpt from a report to Secretary Wilson by Mr. John Hanna concerning the proposal to construct a new Veterans Hospital at Manila; whereas adequate provision could be made at much less expense to the Government by utilization of Fort McKinley which is now unused and burdens the Government for upkeep.

L. A. M.

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~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

September 25, 1953.

PERSONAL AND CONFIDENTIAL

Dear Governor Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at today's Cabinet meeting:

State of the Union Message - Governor Adams noted that material for the State of the Union Message is due early in October and not later than October 15th. He announced that Mr. Bryce Harlow of the White House staff will be in charge of handling this material.

It was suggested that department heads may profitably discuss with Dr. Arthur Burns their material for the message as it pertains to national economic stability.

Presentation of Periodic Reports - In connection with the issuance of such periodic reports as the Cost of Living Index, etc., it was urged that the head of the department responsible for each scrutinize the report closely prior to publication, and in such cases as may be desirable hold a press conference to emphasize significant features, explain any complex factors involved, and insure proper analysis of the report.

Internal Security Legislation - In connection with a study being initiated in the Justice Department, Cabinet members were invited by the Attorney General to send him comments and suggestions on existing internal security legislation and the possible need for new legislation.

Employee Security Program - The Attorney General will consult with the Chairman of the Civil Service Commission and report at the next Cabinet meeting on appropriate methods for public announcement of actions taken under this program.

Wooden Church Crusade - It was suggested that Cabinet members defer action on invitations to sponsor this movement until Secretary Dulles can advise them of the outcome of an inquiry now under way.

Distribution of Public Addresses - It was agreed that Cabinet members would have their public relations directors send to their counterparts copies of public addresses made by department officials.

Government Purchases of Beef - It was agreed that Cabinet members would be alert for opportunities to assist in the Government program of beef purchases.

Sincerely,

Paul T Carroll
PAUL T. CARROLL
Acting Staff Secretary

Honorable Harold E. Stassen
Director
Foreign Operations Administration

RESPONSIBILITY OF THE EXECUTIVE BRANCH

Economy neither begins nor ends in the Halls of Congress. Under the Budget and Accounting Act, it is the responsibility of the executive branch of the Government to submit annually to the Congress the estimates of the amounts which officials in the executive branch feel are required to support the necessary activities of the Government. The Congress reviews these estimates and decides the maximum amounts which must be appropriated for these various activities, and the annual appropriation bill provides the sums so determined by the Congress.

Appropriation of a given amount for a particular activity constitutes only a ceiling upon the amount which should be expended for that activity. The administrative officials responsible for administration of an activity for which appropriation is made bear the final burden for rendering all necessary service with the smallest amount possible within the ceiling figure fixed by the Congress. Every official of the Government who has responsibility for administration of a program must assume a portion of the burden for the deficit in the Federal Treasury. In the first place, he must take into account the condition of the Federal finances when he recommends to the Bureau of the Budget the amount which, in his judgment, is necessary for supporting his activity. In the second place, it is his responsibility to so control and administer the activities under his jurisdiction as to expend as little as possible out of the funds appropriated.

Library

* * * * * * *

Source: House Report No. 1797 (Committee on Appropriations)
on General Appropriation Bill, 1951 (contains "Antideficiency Act")
(81st Congress, 2d Session)

The Director, Foreign Operations Administration

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, October 2, 1953

1. Presenting the Administration record
   (The President)

2. Employee security program
   (The Attorney General)
3. Policy changes in regard to the "Buy American" Act
   (The Attorney General)
4. Decontrol of nickel
   (The Director of Defense Mobilization)
5. Restatement of Administration policy with respect to separating career employees
   (The Chairman of the Civil Service Commission)

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By BHC NLE, Date 7-28-76

MINUTES OF CABINET MEETING

October 2, 1953

9:00 A. M. to 10:45 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles
Sec. Humphrey
Sec. Stevens (for Mr. Wilson)
Attorney General Brownell
Asst. Postmaster General Allen
    (for Mr. Summerfield)
Under Secretary Tudor
    (for Mr. McKay)
Under Secretary Morse
    (for Mr. Benson)
Sec. Weeks
Acting Secretary of Labor Mashburn
Sec. Hobby

Mr. Dodge
Mr. Flemming
Gov. Stassen
Mr. Young
Amb. Lodge
Gen. Persons
Mr. Hagerty
Mr. Cutler
Mr. C. D. Jackson
Mr. Walter Williams
Dr. Hauge
Mr. Hughes
Mr. Harlow

Presenting Administration Achievements - The President noted the frequent discussion of the Administration's lack of an information program and commented that any deficiency might result from the difficulty of defending "the middle road" from attack on both sides, hence a tendency for Administration leaders to shy away from talk which could incite "sensationalism" on either side. He read a "report from the grass roots" which "came in from one of our people" (Ambassador Lodge), which indicated much criticism or misunderstanding of the Administration program. The President indicated he did not agree with several points in the report but he felt it revealed the need for stressing the positive side of the record.

Employee Security Program - The Attorney General reported on the Civil Service Commission procedure for checking on the functioning of this program and commented that action in three or four departments needed speeding up. General announcements on the program will be held up pending NSC study of the reports now being secured by CSC from the departments. Thereafter, periodic reports by each department might be made in conformity with "ground rules" to be put out by the Civil Service Commission.

Ambassador Lodge stressed the need for early definitive announcements as soon as screenings are completed in each department. Mrs. Hobby noted the magnitude of the project in HEW and stated that limited personnel may cause the project to extend for two years. Secretary Dulles noted a similar situation for the State Department, and Secretary Weeks commented that it is a never-ending task. The President believed that the

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job could be done in successive stages for (a) those previously in question, (b) other extremely sensitive positions, and (c) the remainder. Ambassador Lodge again emphasized the need for completing some phase quickly.

The heavy burden on CSC and FBI investigation staffs was noted. Messrs. Flemming and Lodge suggested determination of the size of the backlog of security cases and possible consideration of a request to Congress for additional funds to complete the job quickly. The President requested every Cabinet member to search for means to speed up the process with present facilities. The question will be reviewed after the National Security Council studies the report now under preparation.

The Vice President, Secretary Weeks, and Ambassador Lodge again stressed the need for action and public announcements to preclude public misunderstanding which might result from scattered but "sensational" Congressional activity.

Buy American Act - Mr. Brownell reviewed previous discussions of this item and said he had been asked to bring up again the proposed Executive Order which establishes a 5% differential as a uniform government policy.

Mr. Humphrey, with the Vice President concurring, urged that no action be taken now which would prejudge the Randall Commission study. Mr. Dulles stated the previous decision (July 31st) was acceptable to him but that some departments felt they could not operate under it. He noted that discretion would have to be used under any circumstances. Mr. Brownell concurred in its suitability. Governor Stassen urged some change in the policy be made as a help to the broad program of strengthening foreign economies.

The President felt that, until the Randall Commission reported, actions should be taken on a case-by-case basis with consultation among the departments and that, where any doubt occurs as to right to use discretion, the case can be brought to the President for exceptional action.

Mr. Tudor pointed to the need for Defense and Interior to take the same approach for they made similar purchases. He stated that Interior can change from its present 25% differential but wants to be in line with other departments. Mr. Stevens agreed that Defense and Interior can work together.

Mr. Tudor called attention to the advantage given foreign bidders by announcing a differential in advance, but felt that it had to be done. Messrs. Dulles and Stevens believed advance announcement unnecessary. The President noted the criticism in this respect in the Chief Joseph case.

The President and the Vice President emphasized the importance being put on the recommendations of the Randall Commission, and the Vice President hoped all would appreciate the strength of the protectionist element in the Nation. The President stated he would be disposed to give strong support to whatever the Commission recommends, for it is composed of the best men in the country. Mr. Dulles feared the Commission would not give sufficient weight to political and diplomatic considerations. The President asked the Cabinet to give maximum support to the work of the Commission, including high level advisers.

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Decontrol of Nickel - Mr. Flemming read a memorandum recommending decontrol of nickel, stressing the need for this as a means of insuring increased supplies and pointing to the urgent requests from small business.

The President questioned the possible effect of the action on the consumer and on public opinion. Messrs. Weeks, Flemming, and Humphrey reviewed the strong opinion for it.

The proposal was approved subject to determination of exact timing in conjunction with appropriate press releases and coordination with Congressional Small Business experts.

Placement of Separated Career Employees - Chairman Young presented a draft of a letter he will circulate, restating the Administration policy of striving to place in other positions career servants caught by reductions in force. He reviewed this activity thus far, emphasizing that of the 5,000 separated career employees who have asked CSC for assistance, 2,300 have been relocated and action continues for the other 2,700. The maze of protective legislation complicates the task. Reductions in force have been accomplished by attrition in half the cases.

The President again emphasized that political appointees often in time become real career servants, as in the case of Mr. John Martyn in the Secretary of the Army's office.

Mr. Flemming noted efforts to put the Administration on the defensive and make it responsible for relocating career employees, thus taking the pressure off the employee to seek a suitable position.

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THE WHITE HOUSE
WASHINGTON

October 2, 1953

PERSONAL AND CONFIDENTIAL

Dear Governor Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at today's Cabinet meeting:

Presenting the Administration Record - The need for emphasizing the positive achievements of the Administration was stressed during the discussion of the "grass root" report on public opinion.

Employee Security Program - Chairman Young will soon request reports from departments and agencies concerning action taken under the Employee Security Executive Order of last April. General announcements concerning the operation of the program are to be withheld until these reports have been reviewed and until the Civil Service Commission issues a guidance memorandum for these announcements.

Buy American Act - In regard to decisions made pursuant to the Buy American Act, it was agreed that department and agency heads would utilize on a case by case basis the discretionary powers accorded by the law; in the event of need for exceptional treatment, the case may be taken to a higher level for decision. Department and agency heads were invited to consult with the Department of Defense when they so desire in the interest of coordinating policy in these cases.

Foreign Economic Policy Study - The President requested that every possible assistance, including the services of top personnel, be made available to the Commission on Foreign Economic Policy.

Administration Policy in regard to Career Service Employees - Chairman Young will soon direct to each department and agency head a letter restating the Administration policy concerning protection of career civil service employees whose services are satisfactory.

Sincerely,

Paul T. Carroll
PAUL T. CARROLL
Acting Staff Secretary

Honorable Harold E. Stassen
Director of Foreign Operations Administration

COPY

THE WHITE HOUSE

WASHINGTON

Dear Mr. Secretary:

The present Administration is committed to a program of reducing Federal expenditures to the lowest possible figure. This means that in certain departments and agencies further reductions in Federal employment will be necessary as programs are adjusted to appropriations.

The President believes in a strong Civil Service and has committed himself to the protection of career Civil Service employees whose services are satisfactory. As the head of a Federal agency and as a representative of the President you, together with the Civil Service Commission, are responsible for seeing to it that the rights of the career employees of the Federal Government are honored and observed.

On June 30 about 1,400,000 employees, of the 2,100,000 filling competitive positions, held regular Civil Service appointments. With a cushion of over 700,000 jobs filled by indefinite appointments, future reductions, in most cases, should not result in the separation of career employees. In those cases where career employees are separated, it would appear that they can be placed in other agencies having positions filled by indefinite appointees. Therefore, career employees generally can be assured of continuing employment in the Government service so long as their services are satisfactory.

On May 29 I wrote you explaining the Government's program for the retention of career employees together with specific instructions for its execution.

Briefly, the regulations of the Civil Service Commission are based upon the Civil Service Act, the Veterans' Preference Act and the Civil Service Rules issued by Executive Order of the President.

The Civil Service Reduction-in-Force Regulations require that:

(1) no employee with Civil Service status shall be separated from his agency so long as there is a position, in the commuting area within that agency for which he is qualified that is filled by a person with an indefinite appointment, and

(2) an employee with Civil Service status separated by his agency may register with the Civil Service Commission for placement in another agency; the Commission refers the separated career employee for

placement, to any agency having vacancies or positions within the commuting area, filled by persons with indefinite appointments.

I am sure you will agree this is a reasonable and fair policy for any employer to follow in protecting his regular employees against the loss of jobs and income. To carry out this policy, those of us who have the authority to employ and separate personnel must take all possible steps to see that it is made to work effectively and efficiently.

Therefore, I am asking you to assure yourself that all persons in your organization responsible for the employment, supervision and separation of personnel -

(1) are aware of the Administration's policy for the retention of qualified career employees,

(2) are aware of their responsibility for planning any required reductions so as to cause the minimum of dislocation of qualified career employees,

(3) are instructed to appoint separated career employees referred by the Civil Service Commission, to vacancies or to positions held by persons with indefinite appointments,

(4) have fully informed all employees in your organization of the steps you are taking to carry out this policy.

Due to the decentralized nature of the Federal personnel system, the full and continuing cooperation of you and your staff is necessary to carry out the President's policy.

I want to thank you for your cooperation to date and to assure you that this office and the Civil Service Commission will assist you with your personnel problems, if you so desire.

By direction of the President:

Philip Young

The Honorable Sinclair Weeks
Secretary of Commerce
Washington, D. C.

The President

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, October 9, 1953

1. Attendance at State Dinners.
(The President)

2. Placement of Procurement in Surplus Manpower Areas.
(The Director of Defense Mobilization)

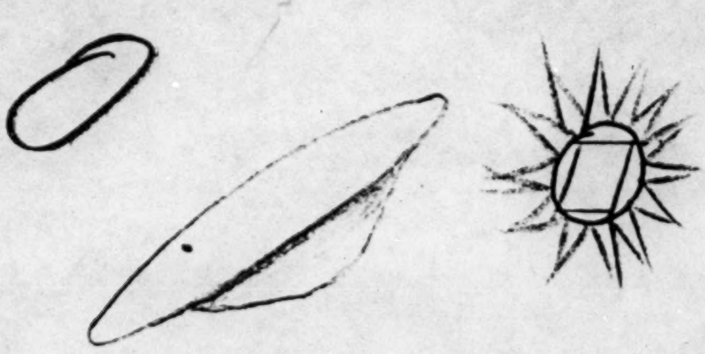
3. Review of Government Personnel Situation.
(The Chairman of the Civil Service Commission)

4. Report on the Drought Situation.
(The Secretary of Agriculture)

5. White House Mayors' Conference.
(The Assistant to the President)

Dodge - a minor miracle
To report

Foreign Policy Speeches



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MINUTES OF CABINET MEETING

October 9, 1953

9:00 A. M. to 10:05 A. M.

The following were present:

President Eisenhower

Secretary Dulles
Under Secretary of Treasury Folsom
(for Secretary Humphrey)
Secretary Wilson
Attorney General Brownell
Postmaster General Summerfield
Secretary McKay
Secretary Benson
Secretary Weeks
Secretary Mitchell
Secretary Hobby

Mr. Dodge
Mr. Flemming
Gov. Stassen
Mr. Young
Gov. Adams
Mr. Cutler
Mr. C. D. Jackson
Mr. Walter Williams
Dr. Hauge
Mr. Hughes
Mr. Morgan
Mr. Jack Martin

The President opened the meeting by welcoming to the Cabinet, as an old friend from the Department of Defense, the new Secretary of Labor.

Attendance at State Dinners - The President indicated that invitations to State Dinners at the White House are not to be considered "command performances" and that each Cabinet member should feel free to accept or decline.

Placement of Procurement in Surplus Manpower Areas - Mr. Flemming presented a memorandum recommending that Defense Mobilization Order No. 4 be revised to eliminate the inequitable provision whereby concerns in critical unemployment areas are given opportunity to match the low bid from other areas and thus obtain government contracts. He emphasized that this had always been a controversial provision, that the change would eliminate Senator Knowland's objection to the Order, and that the changing pattern of defense needs suggested this time for revision. Other provisions to assist the surplus labor areas will continue in force and tax amortization policy will be liberalized.

The President approved the change. Secretary Wilson expressed satisfaction at the economies which would result.

Secretary Weeks suggested transfer of some Federal activities from Washington to surplus labor areas and requested Presidential approval for an extensive study with detailed proposals. The President questioned the expense of such transfer and the effect on supervision of transferred

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activities. Mr. Flemming suggested consideration of this in connection with a current NSC project. The President agreed.

Review of Government Personnel Situation - Chairman Young reported that 135,000 civilian positions have been taken off the Federal payroll thus far, that another 50,000 are yet to go, and that the budget for FY 1955 may require further reductions. Normal turnover of about 375,000, of which most are clerical positions, will ease the effect.

In response to the President's question, Mr. Brownell discussed the location of personnel responsibilities within his department. Mrs. Hobby noted an HEW Committee which examines every vacancy with a view to consolidating positions.

Mr. Brownell commented that Civil Service and Veterans Preference Regulations stymie changes but that Justice Department is testing the laws by going to court in three cases involving lawyers. If the courts rule adversely, the question may have to be raised again with a view to legislation. He has discussed this with representatives of the lawyers who admit he may be right but assert they must oppose him in public. Secretary McKay asserted the need for latitude in defining policy positions to prevent having to work top officials to death. The President then commented on the difficulty of identifying "policy-making" positions and reported Chairman Hall's frequent criticism, but he felt that emphasis in separations should be on attrition.

Governor Adams called attention to the pressure from critics who charge lack of diligence by the Administration in making changes in non-protected positions. He asked again that Cabinet members look sympathetically at these criticisms.

Mr. Brownell and Mrs. Hobby noted how few Schedule "C" positions there are especially in the field offices. Mr. Young commented that Veterans Preference limits action seriously even after positions are put in Schedule "C". Mr. Flemming suggested the possibility of an Executive Order whereby the occupant of any position being transferred to Schedule "C" would be offered a different job with Civil Service protection as a mandatory substitute for continuing in the same position.

The President requested each Cabinet member to give serious attention to these problems during the coming two weeks for review when Cabinet next meets.

Review of Drought Situation - Secretary Benson reported that thirteen states have been proclaimed disaster areas and requests from four others including Hawaii were under review. Negotiations are underway with railroad authorities for extension of reduced transportation rates beyond October 15th. Funds for the several programs underway are extremely short, and nothing but rain can save the situation.

Public Addresses on Foreign Policy Matters - Secretary Dulles noted that State has several delicate negotiations underway and urged that Cabinet members either follow the pattern set in speeches by the President and himself, or consult State before deviating from that pattern in any public address.

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White House Mayors Conference - Governor Adams reported this forthcoming conference and requested Cabinet members to cooperate with Governor Peterson in arranging the agenda.

Real Estate Acquisition Program - Mr. Dodge reported the "minor miracle" of agreement by the Army and Corps of Engineers with Interior and the Bureau of Reclamation on a joint real estate acquisition program which will emphasize purchase of easements rather than outright purchase of land, thus leaving the land on local tax rolls. The President expressed his amazement on learning how much land had been bought by the Federal Government without any state or local participation for the Cherry Valley Dam near Denver.

Apportionment of Costs of Department Joint Projects - Secretary Wilson raised the problem of who bears the cost of projects carried on by one department for another, and he cited a Coast Guard project and Commerce Department air facilities where costs seem likely to fall to Defense. Discussion of the Coast Guard brought a request from Mr. Wilson to have the question of transferring it to Defense put on the Cabinet agenda, but the President advised him to discuss it first with Treasury. The President and several members of the Cabinet noted duplication of reporting services, particularly from foreign posts. Mr. Benson commented on Congressional refusal to pay the cost of booklets prepared by Agriculture but distributed extensively by Congressmen.

Next Cabinet Meeting - The President called the next meeting for October 23rd but suggested an interim meeting be held if thought necessary by any Cabinet member.

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(Reported by Minnich. Copies only to
Mrs. Whitman and Minnich.)

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THE WHITE HOUSE
WASHINGTON

PERSONAL AND CONFIDENTIAL October 9, 1953

Dear Governor Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at today's Cabinet meeting:

Discussion of Foreign Policy Matters in Public Addresses - Cabinet members will consult with the Department of State prior to making reference, in a public address, to foreign policy matters, if such reference deviates from the pattern laid out in addresses by the President and Secretary of State.

Attendance at State Dinners - The President indicated that invitations to State Dinners at the White House are not to be considered "command performances" and that each Cabinet member should feel free to accept or decline.

Placement of Procurement in Surplus Manpower Areas - Approval was given for revision of Defense Manpower Policy No. 4 as proposed by the Director of Defense Mobilization.

The possibility of transferring certain government activities to critical employment areas will be considered in connection with a study now under way in the National Security Council.

Personnel Problems - It was agreed that prior to the next Cabinet meeting each Cabinet member would look carefully at the personnel situation in his department with particular respect to policy-making positions.

White House Mayors Conference - The cooperation of Cabinet members was requested in connection with the arrangements being made by Governor Peterson for this conference on December 14 and 15.

Cabinet Meeting - There will be no Cabinet meeting on October 16 unless one is requested by one or more members of the Cabinet.

Sincerely,

Paul T Carroll
Paul T. Carroll
STAFF SECRETARY

Honorable Harold E. Stassen
Director
Office of Defense Mobilization

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF DEFENSE MOBILIZATION

REVISION OF DEFENSE MANPOWER POLICY NO. 4

Statement of the Problem

The purpose of the Defense Manpower Policy No. 4, adopted in February 1952, was to distribute defense procurement in such way as to alleviate unemployment, preserve employee skills and productive facilities, aid in the utilization of available manpower and assure timely delivery of defense goods.

As defense production requirements have been met or changed, a review of DMP No. 4 has been made to determine what modifications are necessary to adapt it to the changed situation. It has been determined that modifications in the policy are necessary (1) to adapt it to changed mobilization needs, (2) to make effective use of available manpower and facilities in surplus labor areas, and (3) to avoid serious inequities between individual areas and competitive suppliers of defense goods.

The main implementing procedure for DMP No. 4 to date has been the so-called "bid-matching" method whereby firms in surplus labor areas were given the opportunity, whenever contracts were negotiated, of matching the lowest offer otherwise received. This method has been the source of some inequity since low-bidders, after spending considerable time and money preparing their bids, have lost contracts which they would have obtained except for the operation of this policy. As defense procurement declines further, it may be expected that the "bid-matching" procedure would produce even more serious inequities and be less needed as a means of utilizing manpower resources and facilities to meet defense production requirements.

Proposed Modification of DMP No. 4

To remove the inequities and controversies resulting from the "bid-matching" method, it is proposed that this method be eliminated. In order to continue assistance to surplus labor areas it is proposed:

1. That appropriate departments and agencies provide intensified service to surplus labor areas by calling to the attention of firms in those areas opportunities to bid on government procurement and by helping them to attract new industries.

2. That expanded use be made by procurement agencies of set-asides for firms in labor surplus areas. Under this method a portion of the total procurement is advertised and purchased in accordance with normal advertised, sealed-bid procedures. The remainder is set aside for negotiation with surplus labor area firms at the price paid on the advertised portion or, in case of multiple awards, at an average of such prices. This method occasions less inequity since no manufacturer loses a particular contract on which he has been low bidder.

Tax Amortization

It is proposed that the Office of Defense Mobilization apply its policy on tax amortization so that approved defense facilities which locate in chronic surplus labor areas would be given accelerated tax amortization privileges on a higher than normal percentage of their capital investment.

October 9, 1953

PROPOSED PRESS RELEASE

The Secretary of the Interior, Mr. McKay, and the Secretary of the Army, Mr. Stevens, for some months have been giving intensive study to real estate policies of their Departments and announce that a full and complete agreement has been reached on a revised joint real estate acquisition policy which will be applicable to lands being acquired for dam and reservoir projects of the Bureau of Reclamation and the Corps of Engineers.

The new policy provides for a minimum of outright purchase of land, and will place maximum reliance on securing the right to flood lands by purchase of easements. This will result in the acquisition of much less land in fee than previously and should materially reduce real estate costs to the Federal Government. In addition, state and local governments will benefit by the increased amount of land left on tax rolls.

Not only does this policy have the joint approval of the two Secretaries, but it has likewise received concurrence from Mr. Dodge, Director of the Bureau of the Budget, who expressed great satisfaction over the agreement.

JOINT POLICY-LAND ACQUISITION
RESERVOIR PROJECTS
DEPARTMENT OF THE INTERIOR-DEPARTMENT OF THE ARMY

1. Lands to be acquired in fee. The fee title will be acquired to the following lands:

a. Lands necessary for permanent structures.

b. Lands below the top of the pool elevation for storing water for navigation, power, irrigation and other conservation purposes.

c. Fee title in general will be acquired to all land 300 feet horizontally from the edge of the conservation pool described in paragraph 1b. In those projects where the topography is precipitous, or where the topography is unusually flat, and where such discretionary action is desirable, fee title may be acquired to those lands which are included in the 5-year flood frequency rather than 300 feet horizontally.

d. Additional lands which may be needed to provide for limited public use and reasonable access in accordance with applicable laws, or for operation and maintenance of the project.

e. Lands covered by the exception noted in paragraph 2f.

2. Lands for which easements are to be acquired. Easements will be acquired to the following lands:

a. Additional reservoir lands needed for flowage in reservoir areas above those described in paragraph 1c.

b. Lands in reservoir areas of navigation only projects.

c. Lands in reservoir areas of flood control only projects which do not provide conservation pools.

d. Lands required for a relatively short time for temporary structures or for use during the construction period only.

e. Easements may be acquired for lands in the zone as defined in paragraph 1c above the conservation pool, and which are in remote areas of the reservoir or which had previously been subject to frequent inundation, where it is determined that fee title is not required.

f. Fee title may be taken as necessary where it is to the financial advantage of the Government to acquire fee rather than easement, and in special cases to prevent hardship.

3. Blocking out. In land acquired in fee, blocking out will be accomplished in accordance with sound real estate practices, for example, on minor sectional subdivision lines; and normally, land will not be acquired to avoid severance damage if the owner will waive such damage. For lands acquired in easement, close tangents may be used in the upper limit of the easement-held lands; the final easement taking line thereof should generally follow the upper flood line when elevation differences are not significant. Tangents will not be refined to the point they are economically disadvantageous. If more economical, easements may be secured on the basis of the right to flood to a prescribed elevation rather than to block out the upper flood line.

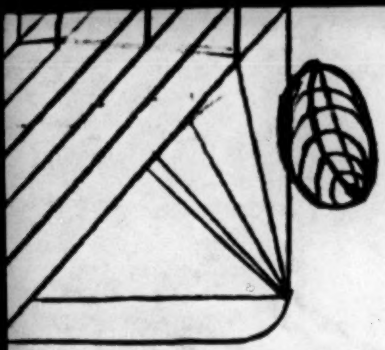
4. Mineral rights. Mineral, oil and gas rights will not be acquired where the owner objects or where a substantial additional cost would be involved, except where mineral development would interfere with operation of the project or except where required by the provisions of the Atomic Energy Act. Mineral rights not acquired will be subordinated to the Government's right to regulate their development in a manner that will not interfere with the primary purposes.

5. Buildings. Buildings for human occupancy as well as other structures which would interfere with the operation of the project for its primary purposes would be prohibited in the reservoir areas on lands for which an easement is acquired.

6. Acquisition of lands for collateral purposes. No title to land will be acquired for purposes of preservation of wildlife or forests, restoration or replacement of such values destroyed by reservoirs or for creating additional values of like nature, or for recreational purposes, unless specifically authorized by Congress.

7. Application of Policy. The above policy will govern the determination as to acquisition of any tract on which title to the United States has not been vested or a final judgment in condemnation has not been entered except for projects on which the land acquisition program has progressed to the point where application of the policy would be unreasonable or to the distinct disadvantage of the United States or to the general public. The application of the principles and criteria outlined above to lands already acquired for reservoir projects by disposal of fee title to former owners will require Federal legislation. Flowage easements will be retained where necessary. All other lands rendered surplus by this policy will continue to be disposed of in accordance with existing laws.

The President



THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, October 23, 1953

1. Report on the London Conference. ✓
   (The Secretary of State)

2. Review of the agricultural situation. ✓
   (The Secretary of Agriculture)

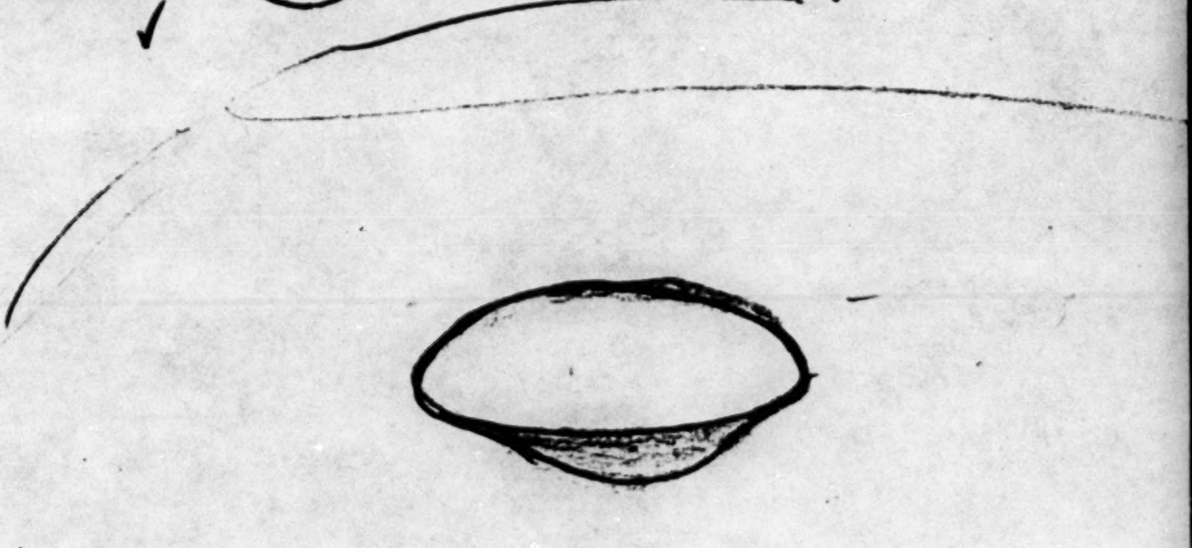
✓ 3. Meeting of the Organization for European Economic Cooperation. ✓
   (The Director, Foreign Operations Administration)

4. Report on Employee Security Program Review. ✓
   (The Chairman of the Civil Service Commission)

5. Coordination of handling of personnel matters. ✓
   (The Chairman of the Civil Service Commission)

6. ~~Optimism;~~
   (~~The President~~) ✓

✓



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Taber
Benson.

UNITED STATES CIVIL SERVICE COMMISSION

WASHINGTON 25, D. C.

October 21, 1953

NATIONAL SECURITY COUNCIL

1. Introduction

Section 14 of Executive Order 10450, which established the current employee security program, provides that the Civil Service Commission shall make a continuing study of the manner in which the Order is being implemented by departments and agencies and make periodic reports to the National Security Council. There is submitted herewith, as was agreed at a Cabinet meeting on October 2, 1953, a preliminary report covering significant developments to date in the 68 departments and agencies covered by the Order.

In connection with the preparation of this report the Chairman of the Commission, on October 5, 1953, requested that all department and agency heads supply certain factual data regarding program activity and development within their establishments. This report is based on statistics and other data available within the Commission and on such data as supplied by 56 departments and agencies within the time allowed.

Detailed information regarding significant aspects of the security program will be found in later paragraphs of this report and its attachments. The following, however, is a summary of activity under this program on a government-wide basis.

2. Summary of Activities

The preliminary steps of developing regulations and administrative machinery for the execution of the program called for in the Executive Order have been largely accomplished. The use of the machinery has been relatively limited up to the present time. This limited activity is not indicative of noncompliance, but rather of the administrative complications involved in conversion from the old loyalty program to the new security program. It is clear, however, that in order to fulfill the objectives of the Order, intensified management attention must be given to the execution of the program.

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DECLASSIFIED
Authority MR 78-29 #2
By bc NLE Date 1/6/78

Regulations and instructions for implementing E.O. 10450 have been issued by all but seven departments and agencies, and Personnel Security Officers, or other appropriate officials, have been designated to review and evaluate reports of investigation and to perform other necessary functions. Appropriate positions have been designated as sensitive in the various departments and agencies in accordance with the provisions of Section 3(b) of the Order. Necessary investigations have been completed or initiated on a majority of the persons occupying such positions.

In accordance with instructions in the President's letter accompanying the Order, the Commission has established rosters of employees who have been designated for service on hearing boards. Thus far, requests for the roster of hearing board members in Washington, D. C., have been received from eight departments and agencies. Requests for field service rosters have been received from 31 establishments. The rosters thus far have proved to be adequate, as only 12 hearings have been held to date.

Since the effective date of the Order, 51,955 cases have been referred to the departments and agencies by the Civil Service Commission for consideration and action under the Order. These cases represent new hires and incumbents of positions designated as sensitive. During the same period, 6,876 investigations of similar cases were initiated by the agencies themselves. In addition, it is indicated that there are approximately 12,000 cases of persons previously investigated under E.O. 9835 whose cases require action under E.O. 10450. Under Section 5 of the Order, which necessitates security review because of derogatory information received or developed by the employing agency, 1,286 new cases have arisen in the departments and agencies.

Reports received in the Commission show that agency action on these cases has resulted in the rejection of 50 applicants, the suspension of 50 employees, and the separation of 929 employees. Favorable action has been reported on 22,052 cases and 2,751 persons are reported as having resigned prior to final decision. 50 employees were reassigned to other positions. 12 hearings are reported as having been conducted in connection with the actions taken.

The following table summarizes agency activity on cases which have arisen for consideration under the Order to date:

	New Investigations	Cases Previously Investigated Under E.O. 9835	Employee Cases Under Sec. 5, E.O. 10450	Total
Total	58,791	12,000	1,311	72,102
Adjudicated	24,107	513	214	24,834
Balance in Process	34,684	11,487	1,097	47,268
Corrective Actions Resulting				
1. Applicants rejected	50	0	0	50
2. Separations	843	17	69	929
3. Suspensions	19	29	2	50
4. Reassignments	0	39	11	50
5. Resignations	2,283	412	56	2,751
	3,195	497	138	3,830

With respect to the separations and resignations reported, it is pointed out that the figures shown include separations under both E.O. 10450 and other procedures and do not necessarily indicate that all of the separations occurred because of security reasons.

Pursuant to agreement reached between representatives of the Department of Justice, the National Security Council, and the Civil Service Commission, there is attached as Exhibit 1 a suggested Press Release to be considered by the Council for possible distribution by the White House.

3. Agency Regulations Under E.O. 10450

Information furnished the Commission indicates that, with seven exceptions, all departments and agencies have issued regulations pursuant to E.O. 10450. The Smithsonian Institution advises that their regulations are being prepared and are expected to be issued within 30 days. Advice from the Soldiers Home and U.S. Information Agency is that their regulations are now in process of completion. The Departments of the Army, Navy, and Air Force, indicate that their internal regulations are in final form and will be published shortly. In the meantime, interim implementing instructions have been issued covering operations under the Order. General Services Administration advises that its regulations are now before the Attorney General for review and that issuance has been withheld pending the result of such review.

The Commission is informed that, in line with the provisions of Section 13 of the Order, 38 agencies have submitted their internal regulations to the Attorney General for his review and comment. Several of the agencies have indicated that, in preparing their own regulations, they followed the sample prepared by the Attorney General and did not consider it necessary to submit their drafts for review prior to issuance. For those agencies whose regulations were not previously reviewed by the Attorney General, copies will be furnished by the Civil Service Commission for such review, comment and suggestion as he may deem advisable.

By letter of May 26, 1953, the Commission asked that all departments and agencies furnish copies of their regulations and instructions to the Civil Service Commission. To date, 60 agencies have complied with this request. All regulations received by the Commission have been reviewed. No regulatory provisions have been detected which, in themselves, appear to reflect deficiencies in agency employee security programs. For the most part, the regulations reviewed follow rather closely the sample regulations prepared by the Attorney General and distributed with the Executive Order.

4. Appointment of Personnel Security Officers

Information furnished the Commission shows that at least 63 of the departments and agencies have designated officials to review and evaluate investigative reports and to perform other prescribed functions as personnel security officers under the provisions of E.O. 10450. Available information indicates that all the departments and agencies, with eight exceptions, have secured full field investigations or comparable security clearances on all persons assigned to perform duties of this nature. Four of the agencies, who have not cleared their personnel security officers (Board of Governors of the Federal Reserve System, Indian Claims Commission, Tax Court, and Smithsonian Institution) indicate that they have no sensitive positions within their agencies. The Library of Congress, which reports having 40 sensitive positions, advises that it has cleared its personnel security officers on the basis of a national agency check and at least ten years of continuous honorable Federal service. The Federal Mediation and Conciliation Service and the Veterans Administration report that full field investigation has been, or shortly will be, requested; Federal Deposit Insurance Corporation advises that it has the matter under consideration. In the event the Commission's continuing study indicates that the lack of a full field investigation in these instances in any way impairs the national security, appropriate reports will be made to the National Security Council and to the heads of the agencies concerned.

By letter dated September 2, 1953, the departments and agencies were requested to furnish information to the Civil Service Commission with respect to persons assigned to review and evaluate reports containing derogatory information. Thus far, 58 departments and agencies have responded to this request. The data secured is being utilized both in connection with the appraisal of agency security programs and in connection with a study presently being conducted by the Commission looking to the improvement of appropriate qualifications and classification standards for positions of this character.

5. Designations of Sensitive Positions

Reports supplied to the Commission show that at least 176,000 positions have been designated as sensitive in the various departments and agencies in accordance with Section 3(b) of E.O. 10450. Including those in departments and agencies who were unable to supply a positive figure on short notice, it appears that more than 10% of the positions in the Executive Branch of the government have been designated as sensitive. The standards prescribed in the Order have been applied in determining those positions so designated.

Of the total number of positions designated as sensitive, full field investigations have been completed or initiated for more than 147,000 incumbents. Of the approximately 29,000 cases where full field investigation has not been conducted, 28,236 represent cases of persons who occupied their positions before they were designated as sensitive. 583 persons who have not been subjected to full field investigation have been appointed to sensitive positions on an emergency basis under the provisions of Section 3(b) of the Order which permits appointment to sensitive position for a limited period pending completion of full field investigation. Appropriate measures have been taken to insure the proper clearance of all persons occupying positions designated as sensitive.

The Dwight D. E[illegible] Library

6. Security Hearing Board Rosters

The President's letter which accompanied Executive Order 10450 directed the Civil Service Commission to establish and effectuate a procedure whereby each department and agency will be furnished competent and disinterested government employees from outside the department or agency concerned to sit as members of security hearing boards. Pursuant to this instruction, the Commission has established rosters of employees, both in its central office and in each of its 12 regional offices, from which the departments and agencies may select members to conduct hearings in cases arising under the Order.

For the departmental service in Washington, two rosters have been established. One of these is composed of employees designated by the departments of Army, Navy, and Air Force, and is used by the three constituent departments of the Department of Defense for the selection of hearing board members. This roster includes the names of 35 employees and has proved adequate.

A second roster, maintained in the Commission's control office, contains the names of employees nominated for hearing board duty by the departments and agencies in Washington, exclusive of the Department of Defense. Departments and agencies outside of the Department of Defense use this roster for the selection of hearing board members. There are presently 90 names on this roster representing 26 departments and agencies. Attached, as Exhibit 2, is a tabulation of the agency representation on this roster and the number of hearing board members designated by each. A copy of the roster for the departmental service showing title and grade of the individuals named by department or agency heads is attached as Exhibit 3.

Requests for the roster have been received from eight departments and agencies outside Department of Defense, and there is no indication thus far that the list of members has not been adequate. However, in anticipation of increasing need for security hearing boards, and recognizing that the workload involved in providing hearing board members should be widely distributed, the Commission has issued instructions which provide for additional designations in the ratio of one member for each 1,000 full-time employees with a minimum of one designation for each agency having as many as 100 full-time employees. A copy of this instruction is attached as Exhibit 4.

The Commission's regional offices have received requests for field service rosters from 31 agencies. There is no indication that the lists have not proved to be adequate. There are indications, however, that wider agency representation and broader geographical distribution of membership would be desirable.

Attached as Exhibit 5 is a tabulation showing the composition of hearing board rosters in the field service by Civil Service region and agencies represented. Steps are being taken to secure additional designations to provide broader agency representation on the roster and to avoid costly and unreasonable travel in connection with hearing board activity.

7. Review of Cases Previously Investigated Under E.O. 9835

Section 4 of the Order provides that the cases of all employees who were the subject of full field investigation under E.O. 9835 must be reviewed and, if necessary, readjudicated under the standards established in E.O. 10450. Information received by the Commission indicates that there are approximately 12,000 employees in the departments and agencies who were the subject of full field investigation under E.O. 9835 and whose cases are subject to review and readjudication. Reports show that 513 of these cases have been readjudicated under E.O. 10450. It is reported that 39 employees were reassigned to other positions; 29 were suspended; 4 were terminated; and 412 resigned while adjudication was pending. In 13 instances the employees were separated under procedures other than the provisions of E.O. 10450.

Available data indicates that there are at present approximately 11,000 old E.O. 9835 cases which are pending additional investigation, are in process of readjudication, or are pending final action. Agency reports state that steps are being taken to process these cases under E.O. 10450.

Attached as Exhibit 6 is a tabulation showing the distribution and status of E.O. 9835 cases by departments and agencies.

8. New Cases Developed Under Section 5 of E.O. 10450

Under Section 5 of the Order the heads of departments and agencies are required to review, and, if necessary, readjudicate the cases of all employees concerning whom there is developed or received any information indicating that retention in employment of the officer or employee may not be clearly consistent with the interests of national security. Reports show that, since May 27, 1953, 13,211 such cases have arisen on a government-wide basis. Of these, 214 have been finally adjudicated and 1,097 are pending completion of investigation and adjudication. Of the cases disposed of, 11 employees were reassigned to other positions; 2 were suspended; 16 were terminated; and 56 resigned while adjudication was pending. 53 additional employees were separated under procedures other than the provisions of E.O. 10450.

9. New Cases Investigated Under the Provisions of E.O. 10450

Since May 27, 1953, a total of 51,955 cases investigated by the Civil Service Commission and the Federal Bureau of Investigation have been referred to the departments and agencies for consideration under the provisions of E.O. 10450. Of these, reports received by the Commission show that action has been taken by the agencies on 24,060 cases, leaving 27,895 cases pending final action and report. Attached as Exhibit 7 is a tabulation showing, by type of investigation, the total number of cases submitted to the departments and agencies, on a government-wide basis, the actions taken thereon, and the numbers pending action. There is likewise attached as Exhibit 8 a tabulation showing, by department and agency, the actions taken on the total number of cases submitted for their consideration under E.O. 10450.

During this same period, the departments and agencies have initiated 6,836 investigations, employing their own investigative facilities. Reports received in the Commission indicates that final action has been taken on 47 of these cases, leaving a balance of 6,789 cases

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pending completion of investigation and/or final decision. Attached as Exhibit 9 is a tabulation showing agency initiated investigations and the actions taken on those cases which have been reported as closed.

10. Commission Appraisal Activity

E

There are two primary phases of the Commission's program for carrying out its responsibilities under Section 14 of the Order:

E

A. A program review of the way in which agencies are carrying out the security program.

B. An actual review of representative cases handled by the agencies under the security program.

A Security Appraisal Office has been established within the Commission which will:

1. Establish standards and instructions for carrying out the appraisal program within the Commission.

2. Analyze statistical data on the operation of the program.

3. Obtain and evaluate facts as to the manner in which the agencies are operating the program through:

    (a) Inspection of agency programs.

    (2) Review of actual cases decided by the agencies.

4. Prepare necessary reports to the National Security Council, and department and agency heads as required by Section 14.

In addition, the Security Appraisal Office maintains the hearing board rosters for the departmental service, prepares necessary training materials, and conducts such training of hearing board members as may be required.

With respect to the inspection of agency programs, necessary agenda and schedules have been prepared and inspections of three agency programs have been scheduled to begin on October 19, 1953. Present plans call for the inspection of from 15 to 20 additional agency programs by the end of calendar year 1953.

These inspections will include a review of representative cases decided by the agencies under E.O. 10450. Such review will not be for the purpose of evaluating agency decisions but rather for the purpose of determining whether actions in individual cases reflect program deficiencies.

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~~SECURITY INFORMATION~~

Under current procedures, reports are received by the Civil Service Commission showing the actions taken by the departments and agencies on individual cases in which investigations have been initiated under the Executive Order. Steps are being taken to supplement these reporting procedures so that additional statistical data will be furnished periodically concerning the review of cases previously investigated under E.O. 9835, employee cases arising under Section 5 of E.O. 10450, activity respecting suspensions, hearings, and terminations under the Order, and other pertinent program aspects. Analyses of such statistical data will be included in the Commission's semi-annual reports to the National Security Council.

Appropriate procedures have been established to insure that security information received in connection with the Commission's appraisal activity is properly safeguarded.

Philip Young
Chairman

CONFIDENTIAL
~~SECURITY INFORMATION~~

SUGGESTED PRESS RELEASE ON

EMPLOYEE SECURITY PROGRAM

In the first four months' operation of the employee security program established by Executive Order 10450 last May, 1,456 government employees were separated or barred from Federal service the White House revealed today after study of a preliminary progress statement submitted to the National Security Council by the Civil Service Commission.

Since last May, approximately 72,000 cases have been handled or are in process under the new program. Of these, more than 20,000 have been acted upon favorably. It was emphasized that 12,000 of the total number of cases were carried over from the old loyalty program and require readjudication under the new Order.

Departments and agencies generally, the appraisal showed, have completed the formulation of their internal regulations, designation of Personnel Security Officers, and designations of positions described as sensitive. These sensitive positions, the White House said, total roughly about 10 per cent of all Federal positions, government-wide.

Security Hearing Board rosters, composed of employees designated by the departments and agencies and maintained by the Civil Service Commission, have been adequate to handle the number of requests received for hearings to date. Larger numbers of Security Hearing Board members may be needed at a later stage of the program. For this reason the Commission has asked departments and agencies to designate additional persons to serve on such boards and has prescribed a ratio of one designation per 1,000 employees for the larger agencies.

Of the total number of cases handled, hearings have been required in 12 instances, it was revealed. Such hearings are held at the request of the employee concerned.

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Exhibit 1

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~~Security Information~~

HEARING BOARD ROSTER
DEPARTMENTAL SERVICE

Department or Agency	No. of Employees Designated
Bureau of the Budget	1
Office of Defense Mobilization	2
Foreign Operations Administration	4
Agriculture	19
Commerce	11
Health, Education and Welfare	5
Interior	3
Justice	5
Labor	3
Post Office	3
State	4
Central Intelligence Agency	4
Defense Transport Administration	1
Export-Import Bank	1
Federal Civil Defense Administration	2
General Accounting Office	4
General Services Administration	2
Housing and Home Finance Agency	4
Interstate Commerce Commission	1
National Advisory Committee for Aeronautics	1
National Science Foundation	1
National Security Training Commission	1
Public Housing Agency	1
Renegotiation Board	3
Small Business Administration	2
Subversive Activities Control Board	2
	90

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EXHIBIT 2

~~CONFIDENTIAL~~
~~SECURITY INFORMATION~~

SECURITY HEARING BOARD ROSTER

DEPARTMENTAL SERVICE

Name	Grade	Agency and Title
Bagwell, John C.	GS-14	Agriculture, Chief, Prod. & Adjustment Div.
Batschelet, Clarence E.	GS-14	Commerce, Chief, Geography Division.
Brown, Wayne G.	GS-14	Def. Transport Adm., Special Asst. to Admtr.
Buckley, James L.	GS-15	Agriculture, Asst. Director of Personnel.
Byer, Herman B.	GS-15	Labor, Asst. Commr., Bur. of Labor Statistics.
Cameron, Warde M.	GS-15	State, Asst. Legal Advisor for Adm. & For. Serv.
Carpenter, Oscar B., Jr.	GS-13	Gen'l Acctg. Off., Attorney, General Counsel.
Carroll, Edgar B.	GS-13	Interior, Personnel Officer, Br. of Personnel.
Cavanaugh, Kenneth C.	GS-14	Public Hous. Adm., Office Representative.
Chaffin, Douglas E.	GS-14	Hous. & Home Fin. Agency, Dir. of Personnel.
Chapman, William W.	GS-15	State, Executive Assistant.
Cleary, Ansel	GS-15	Labor, Chief, Div. of Research & Review.
Corris, John W.	*	CIA.
Cochran, H. Dean	GS-14	Agriculture, Chief, Div. of Pers. Mgmt.
Crafts, Edward C.	GS-16	Agriculture, Asst. Chief of Bureau.
Dees, Bowen C.	GS-15	Nat'l Science Found., Program Director for Fellowships.
DeVaughan, William A.	GS-13	Agriculture, Personnel Officer.
Donovan, Henry A.	GS-15	Agriculture, Asst. Chief, Bureau of Agr. and Industrial Chemistry.
Dudley, Donald G.	GS-14	Gen'l Acctg. Off., Asst. Executive Officer.
Duncan, Francis M.	GS-15	Renegotiation Bd., Procurement Affairs Offr.
Enochs, Elizabeth Randolph	GS-13	H. E. & W., Social Administration Adviser, Specialist (International).
Flavin, Thomas J.	GS-16	Agriculture, Judicial Officer.
Forest, Herbert L.	GS-15	Agriculture, Deputy Director.
Gallagher, George R.	GS-15	Subversive Act. Control Bd., Gen'l Counsel.
Gaston, Thomas L., Jr.	GS-14	Agriculture, Asst. to the Chief, Soil Conserv.
Green, John C.	GS-15	Commerce, Chief, Off. of Technical Services.
Gregory, Dr. Raymond W.	GS-15	H.E. & W., Special Asst. to the Commr.
Hand, Alfred	GS-15	Commerce, Director, Staff Program Officer.
Haninger, Victor E.	GS-13	Interstate Cmmrc. Comm., Chief, Sec. of Explosives
Hardy, Neal J.	GS-16	Hous. & Home Fin. Agency, Asst. Administrator.
Hedlund, Floyd F.	GS-15	Agriculture, Deputy Director
Heffron, Edward J.	GS-15	Fed'l Civil Def. Adm., Information Specialist.
Hitchcock, Lawrence S.	*	CIA. *
Hookersmith, Forrest D.	GS-15	Commerce, Asst. to Asst. Director for Export Supply, Bur. of Foreign Commerce.

*Grade and title not supplied.

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Exhibit 3

Name	Grade	Agency and Title
Hoge, Dr. Vane M.	Brig. Genl.	H.E. & W., Asst. Surgeon General, Assoc. Chief.
Houghton, Dorothy D.	GS-17	Foreign Oper. Adm., Asst. Director for Refugee and Migration.
Hurley, Henry F.	GS-15	Off. of Def. Mob., Administrative Officer.
Irons, David P.	GS-14	Justice, Trial Attorney.
Johnson, Perry T.	*	CIA.*
Jones, J. Weldon	GS-16	Bur. of the Budget, Economic Advisor.
Kissick, Harold	GS-15	State, Chief, Div. of Internat'l Conferences.
Lantz, Russell J.	GS-13	Small Business Adm., Contract Specialist.
Larsen, G. Edward	GS-13	Foreign Oper. Adm., Asst. to the Director.
Lennartson, Roy W.	GS-17	Agriculture, Asst. Administrator for Marketing.
Littell, Robert E.	GS-15	Nat'l Adv. Com. for Aero., Asst. to the Dir.
Locke, Howard	GS-14	Justice, Chief, Administrative Section.
McCauley, Leroy C.	GS-15	Justice, Exec. Asst., Administrative Section.
McClure, Kenneth F.	GS-15	Commerce, Asst. Gen'l Counsel (Domestic Affairs).
McDermott, John T.	GS-15	Gen'l Serv. Adm., Mgmt. Liaison Officer.
McKeever, Douglas	GS-14	Post Office, Special Assoc. Solicitor.
Miller, William W.	GS-14	Small Business Adm., Deputy Dir., Off. of Pers.
Monroe, Charlie	GS-14	Gen'l Acctg. Off., Orgn. & Methods Examiner.
Morgan, Jean F.	*	CIA.*
Morman, Mary	GS-10	Subversive Act. Control Bd., Personnel Officer.
Morrow, Thoren D.	GS-15	Commerce, Executive Officer (Patent Office).
Murphy, Edward J.	GS-15	Agriculture, Deputy Dir., Prod. & Marketg. Adm.
Myatt, Edward F.	GS-15	Agriculture, Associate Solicitor.
Nelson, Dr. Elmer Martin	GS-15	H. E. & W., Chief, Div. of Nutrition, Food and Drug Administration.
O'Brien, Ruth	GS-15	Agriculture, Asst. Chief, Bur. of Human Nutrition & Home Economics.
Palmer, Clive W.	GS-15	Justice, Special Asst. to Attorney General.
Pancoast, Ross	GS-16	Renegotiation Bd., Director, Off. of Prog. Affairs.
Parsell, John E.	GS-15	Agriculture, Asst. Admtr., Farmers Home Adm.
Pehrson, Elmer W.	GS-15	Interior, Reg'l Director, Foreign Minerals.
Persons, Edward B.	GS-14	Labor, Chief, Internat'l Labor Organizn. Div.
Peyton, Thomas L.	GS-15	Gen'l Serv. Adm., Director, Supplies Real Prop. Div.
Powell, Orbun V.	GS-15	Foreign Oper. Adm., Director, Adm. Serv. Div.
Provan, John R.	GS-15	Fed'l Civil Def. Adm., Deputy Asst. Admtr.

*Grade and title not supplied

Exhibit 3

Name	Grade	Agency and Title
Redway, Albert J.	GS-15	Export-Import Bank, Chief, Private Capital Participation Division.
Rooney, Howard	GS-15	Agriculture, Assoc. Solicitor, Agr. Credit.
Ryan, Gerald	GS-15	Commerce, Director, Off. of Facilities Operation and Management.
Sehruben, Luke M.	GS-14	Agriculture, Chief, Div. of Business Adm., Agricultural Research Adm.
Semple, Paul T.	GS-14	Renegotiation Bd., Director, Off. of Assignments and Statistics.
Shelton, Edgar G., Jr.	$50 p.d.-WAE	Nat'l Security Train. Comm., Exec. Director.
Short, Oliver C.	GS-16	Commerce, Director of Personnel.
Stakem, Thomas E., Jr.	GS-15	Commerce, Asst. to Deputy Maritime Admtr.
Starns, Henry C.	GS-14	Agriculture, Chief, Personnel Div., REA.
Stephens, Edmund	GS-15	Agriculture, Asst. Chief, Bur. of Plant Industry, Soils, & Agric. Engineering.
Stephens, Malcolm R.	GS-15	H. E. & W., Assoc. Comm., Food & Drug Adm.
Stone, B. Douglas	GS-14	Housing and Home Finance Agy., Internat'l Hous. Adver.
Strom, A. B.	GS-15	Post Office, Adm. Asst. to Postmaster General.
Sweeney, Paul A.	GS-15	Justice, Chief, Supreme Court Sect., Civil Div.
Syran, Arthur G.	GS-17	Foreign Oper. Adm., Director, Transportation Div.
Towson, Norman E.	GS-15	Commerce, Deputy Chairman, Appeals Board.
Walker, Lloyd C.	GS-15	Post Office, Asst. to Chief P. O. Inspector.
Wayland, Russell G.	GS-14	Interior, General Engineer.
Williams, Lewis E.	GS-15	Hous. & Home Fin. Agency, Asst. Administrator.
Wright, William D.	GS-15	State, Director, Office of Operating Facilities.
Wyckoff, Harold O.	GS-15	Commerce, Chief, Xray Section, Bur. of Standards.
Young, John D.	GS-16	Off. of Def. Mob., Executive Secretary.
Young, Russell G.	GS-13	Gen'l Accounting Off., Special Asst. to General Counsel.

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Exhibit 3

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DC 708, S2 (1)

UNITED STATES CIVIL SERVICE COMMISSION
WASHINGTON 25, D. C.

October 2, 1953
LSM:ht

DEPARTMENTAL CIRCULAR NO. 708, Supplement No. 2

TO HEADS OF DEPARTMENTS AND INDEPENDENT ESTABLISHMENTS

SUBJECT: Designation of officers and employees to Security Hearing Board Rosters -- availability of rosters for use by departments and agencies.

1. Departmental Circular No. 708, dated May 1, 1953, requested that departments and agencies submit to the Civil Service Commission the names of employees designated to be available for service as members of Security Hearing Boards. Security Hearing Board Rosters, containing the names which have been submitted, are maintained, for the departmental service in Washington, in the Commission's central office and, for the field service, in each of the Commission's regional offices.

2. Whenever an agency finds it necessary to establish a Hearing Board, it should request a copy of the roster from the appropriate office of the Civil Service Commission. The lists furnished in response to such requests will show the name of each employée who has been designated, the agency in which he is employed, and the telephone extension through which he can be reached. Selection of individual employees to serve on a Hearing Board will be the responsibility of the department or agency establishing the Board.

3. In the event any considerable time has elapsed between receipt of a roster and the date it is to be used for selecting a Hearing Board member, a check should be made with the Commission so that any deletions or additions to the roster may be furnished.

4. For the departmental service, the roster which has been prepared does not include the names of employees of the Department of Defense. A separate roster is maintained for that department.

5. Departments and agencies in Washington should address requests for copies of the rosters to the Commission, Attention: Security Appraisal Staff. In the field service, such requests should be directed to the appropriate Civil Service regional office.

6. At the time designations were originally requested, no specific requirement was established regarding the number of names to be furnished

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Exhibit A

by each department and agency. However, based on estimated future needs as related to the number of officers and employees designated for the departmental roster, it is considered necessary to establish an equitable system under which additional designations will be made.

7. It is requested that each department and agency having 100 or more employees in the Washington area designate at least one employee to be available for service as a Security Hearing Board member. For agencies having more than 1,000 employees, designations should be made in the ratio of at least one for each 1,000 employees on the rolls. Departments and agencies may designate employees in addition to the number required by this standard if they wish to do so.

8. In the event an employee previously designated for Security Hearing Board Rosters becomes unavailable for service, the Commission should be promptly advised and another employee should be designated to take his place.

9. In submitting additional names for the rosters, departments and agencies should follow the instructions in the basic Circular with respect to certification that the persons named have been the subject of full field investigation and that their designation to the roster has been determined to be fully consistent with the interests of national security. The Commission will conduct necessary full field investigations, upon request, as indicated in Supplement No. 1 to this Circular.

10. Inquiries concerning this Circular may be made by telephone: Code 171, Extension 2419. Further information will be furnished, at a later date, with respect to the necessity for designating additional employees for entry on Hearing Board Rosters for the field service.

By direction of the Commission:

John W Macy Jr

John W. Macy, Jr.
Executive Director

USCSC--WASHINGTON D C

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~~Security Information~~

SECURITY HEARING BOARD ROSTER, FIELD SERVICE

September 25, 1953

U. S. Civil Service Regions	Totals	Navy	Air Force	Army	Interior	V.A.	Treas.	Agriculture	NACA	Canal Zone Govt.	P.O.	H.E. & W.	State
First	47	29	5	11			2						
Second	65	28	14	2[illegible]			1					1	
Third	64	30	2	27		2		3					
Fourth	77	42	4	22		1	2		1	4		1	
Fifth	78	18	23	35				1				1	
Sixth	50	25	8	15					1			1	
Seventh	47	5	11	29				2					
Eighth	103	7	38	48			5	4					1
Ninth	27	—	11	13				2				1	
Tenth	60	3	25	29				3					
Eleventh	87	24	14	45	1			3					
Twelfth	151	108	22	12				2	1		6		
Totals	856	319	177	307	1	3	10	20	3	4	6	5	1

Exhibit 5

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CASES PREVIOUSLY INVESTIGATED UNDER E.O. 9835
SUBJECT TO REVIEW UNDER SECTION 4, E.O. 10450

(From reports furnished by departments and agencies; in some instances figures are estimated or approximated.)

Department or Agency	Total	Finally Acted on Under E.O. 10450	Cases in Process	Corrective Actions: Suspended	Corrective Actions: Terminated	Corrective Actions: Reassigned to Other Position	Corrective Actions: Resigned or otherwise separated
Bureau of the Budget	34	33	1	—	—	—	—
Office of Defense Mobiliza.	12	2	10	—	—	1	—
State	450	2	251	—	—	—	197
Treasury	510	—	510	—	—	—	—
Off. of Secretary of Def.	*	—	—	—	—	—	—
Army	*	—	—	—	—	—	—
Navy	3,495**	30	3,451	4	3	—	14
Air Force	***	****	—	—	—	—	—
Justice	160	6	154	4	—	—	3
Post Office	3,000	5	2,995	5	—	—	2
Interior	300	30	220	6	—	2	50
Agriculture	259	9	250	—	—	—	—
Commerce	330	73	251	4	—	1	6
Labor	135	14	118	2	—	—	3
Health, Education & Welfare	1,014	144	757	—	—	—	113
Federal Reserve System	8	—	8	—	—	—	—
anal Zone Government	175	16	159	—	—	—	—
Civil Aeronautics Board	9	9	—	—	—	—	—
Civil Service Commission	30	—	30	—	—	—	—
Defense Transport Adm.	10	8	2	—	—	—	—
Export-Import Bank	1	—	1	—	—	—	—
Fed'l Civil Def. Adm.	12	—	12	—	—	—	—
Fed'l Deposit Ins. Corp.	2	—	2	—	—	—	—
Fed'l Med. & Conc. Serv.	11	11	—	2	—	—	2

Exhibit 6

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* Figures being compiled.
** All cases investigated under E.O. 9835, including those of persons who may no longer be employed.
*** Number not supplied.
**** Report states that all cases were adjudicated under standards comparable to E.O. 10450 standards.

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Department or Agency	Total	Finally Acted on Under E.O. 10450	Cases in Process	Corrective Actions			
				Suspended	Terminated	Reassigned to Other Position	Resigned or otherwise separated
Fed'l Power Commission	3	—	3	—	—	—	—
Fed'l Trade Commission	12	6	2	—	—	—	4
Foreign Operations Adm.	4	—	4	—	—	—	—
General Services Administration	175	—	175	—	—	—	—
Govt. Printing Office	36	—	35	—	—	35	1
Housing & Home Finance Agency	43	—	43	—	—	—	—
Interstate Commerce Commission	9	8	—	—	—	—	1
Nat'l Advisory Com. for Aero.	55	4	51	—	—	—	—
Nat'l Capital Housing Authority	5	—	3	—	—	—	1
Nat'l Capital Planning Comm.	1	—	1	—	—	—	—
Nat'l Labor Relations Board	63	—	63	—	—	—	—
Nat'l Science Foundation	30	13	17	—	—	—	—
Railroad Retirement Board	12	2	10	—	—	—	—
Securities & Exchange Comm.	13	—	13	—	—	—	—
Selective Service System	49	10	39	—	—	—	6
Small Business Administration	11	11	—	—	—	—	—
Smithsonian Institution	10	1	9	—	—	—	—
Subversive Act. Control Board	2	2	—	—	—	—	—
Tariff Commission	6	—	6	—	—	—	—
Tax Court of the U.S.	1	—	1	—	—	—	—
Tennessee Valley Authority	28	11	17	1	—	—	1
Veterans Administration	1,649	30	1,619	1	—	—	21
Library of Congress	111	10	101	—	—	—	—
Reconstruction Fin. Corp.	4	—	4	—	—	—	—
Central Intelligence Agency	51	8	43	—	—	—	—
Nat'l Gallery of Art	2	2	—	—	—	—	—
Fed'l Housing Adm.	15	—	15	—	—	—	—
Public Housing Adm.	36	3	33	—	—	—	—

Exhibit 6

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INVESTIGATED CASES REFERRED FOR AGENCY CONSIDERATION
UNDER E. O. 10450 AND ACTIONS TAKEN THEREON

Department or Agency	Cases Referred	Agency Actions								Pending Decision
		Applicants			Employees					
		Apptd.	Not Apptd. Unfav. Report	Not Apptd. Other Reasons	Closed Fav. Action	Terminated	Suspended	Resigned Fav. Report	Resigned Unfav. Report	
White House Office	12	0	0	0	8	1	0	0	0	3
Bureau of the Budget	12	2	0	0	9	0	0	0	1	0
Exec. Mans. & Grounds	1	0	0	0	0	0	0	0	0	1
Off. of Defense Mob.	117	86	0	1	29	1	0	0	0	0
State	611	9	0	14	14	0	0	0	0	574
Treasury	577	8	0	0	165	57	0	50	1	296
Off. of Secr. of Def.	23	11	0	1	3	1	1	0	0	6
Army	11,589	437	0	11	4,185	131	7	560	30	6,228
Air Force	5,273	283	0	2	2,137	52	5	229	6	2,559
Justice	1	0	0	0	1	0	0	0	0	0
Post Office	11,853	162	1	9	4,234	145	1	312	19	6,970
Navy	7,436	77	0	1	2,597	132	4	325	43	4,257
Interior	1,904	36	0	0	749	26	1	95	0	997
Agriculture	1,617	48	0	3	907	15	0	46	0	598
Commerce	737	18	0	0	369	43	0	19	3	285
Labor	38	1	0	0	13	0	0	1	0	23
Health, Educ. & Wel.	647	14	0	1	322	3	0	22	0	285
Atomic Energy Comm.	1	0	0	0	0	0	0	0	0	1
Civil Aeronau. Bd.	3	0	0	0	2	0	0	0	0	1
Civil Service Comm.	38	2	0	0	0	0	0	0	0	36
Economic Stab. Agency	38	1	0	0	16	4	0	1	0	16
Export-Import Bank	24	0	0	0	18	0	0	0	0	6
Fed'l. Civil Def. Adm.	63	15	0	0	47	0	0	1	0	0
Fed'l. Communi. Comm.	5	0	0	0	4	0	0	0	0	1
Fed'l. Depos.Ins.Corp.	37	0	0	0	0	0	0	0	0	37
Fed'l Med. & Con.Ser.	3	0	0	0	0	0	0	0	0	3

Exhibit 7

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Department	Cases Re-ferred	Agency Actions								Pend-ing Decision
		Applicants			Employees					
		Apptd.	Not Apptd. Unfav. Report	Not Apptd. Other Reasons	Closed Fav. Action	Termi-nated	Sus-pended	Resigned Fav. Report	Resigned Unfav. Report	
Fed'l Power Comm.	2	0	0	0	0	0	0	0	0	2
Fed'l Trade Comm.	7	0	0	0	4	0	0	0	0	3
Gen'l Acctg. Office	355	14	0	0	85	1	0	9	0	246
Gov't Printing Off.	31	0	0	0	0	1	0	1	0	29
Gen'l Services Adm.	607	1	0	0	179	20	0	41	4	362
Int.Bndry.&Wat.Com.	4	0	0	0	1	0	0	0	0	3
Interst. Commrc.Comm.	1	1	0	0	0	0	0	0	0	0
Library of Congress	63	0	0	0	26	2	0	5	1	29
Foreign Oper. Adm.	133	13	2	0	21	0	0	2	0	95
Nat'l Adv.Com.Aero.	62	3	0	0	4	1	0	0	0	54
Nat'l Cap.Hous. Auth.	2	0	0	0	0	0	0	0	0	2
Hous.&Home Finance	148	1	0	0	32	2	0	1	1	111
Nat'l Labor Rel. Bd.	15	0	0	0	13	0	0	0	0	2
Nat'l Mediation Bd.	1	0	0	0	0	0	0	0	0	1
Nat'l Science Found.	30	14	0	0	3	0	0	0	0	13
Selective Serv. Sys.	230	10	0	0	158	1	0	11	0	50
Panama Canal	175	0	0	0	14	66	0	0	0	95
Renegotiation Board	31	11	0	0	1	0	0	0	0	19
Railroad Ret. Board	66	0	0	0	49	1	0	11	0	5
Recon. Fin. Corp.	8	0	0	0	4	0	0	0	0	4
Secur.&Exchg. Comm.	3	0	0	0	1	0	0	0	0	2
Soldiers Home	65	0	0	0	22	2	0	1	0	40
Smithsonian Inst.	19	0	0	0	8	1	0	2	0	8
Subv.Act.Control Bd.	4	0	0	0	2	0	0	0	0	2
Small Business Adm.	142	1	0	1	138	0	0	1	0	1
Tax Court of U.S.	7	0	0	0	4	0	0	0	0	3
Tennessee Valley Au.	804	1	0	0	522	54	0	1	0	226
Veterans Adminis.	6,273	65	0	1	2,424	67	0	399	16	3,301
D.C.Devl.Land Agcy.	5	0	0	0	2	0	0	0	0	3
U.S. Information Ag.	7	0	0	0	0	0	0	0	0	7
Totals	51,955	1,345	3	45	19,547	830	19	2,146	125	27,895

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INVESTIGATIONS INITIATED BY DEPARTMENTS AND AGENCIES AND ACTIONS TAKEN

Agencies	Investigations Initiated	Applicants Appointed	Applicants Not apptd.	Closed Favorable Action	Terminated	Resigned
Department of the Air Force	1,268					
Department of the Army	2,957			1		
Department of Agriculture	306					
Department of Commerce	21					
Federal Reserve System	36					
General Services Adminis.	25					
Department of the Navy	617					
Office of the Secretary of Defense	54	9		6	1	
Panama Canal Government	193					
Department of State	604	1	2		12	12
Department of the Treasury	755			1		
Totals	6,836	10	2	8	13	12

Exhibit 8

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TYPES OF INVESTIGATED CASES REFERRED TO DEPARTMENTS AND AGENCIES AND ACTIONS TAKEN THEREON

	Cases Re-ferred	Agency Actions								Pend-ing Decision
		Applicants			Employees					
		Apps. Apptd.	Not Apptd. Unfav. Report	Not Apptd. Other Reasons	Closed Fav. Action	Termi-nated	Sus-pended	Resigned Fav.Rpt.	Resigned Unfav. Report	
National Agency Check & Inquiry	48,213	1,127	1	28	18,619	728	8	2,051	89	25,562
Personal Investigation, C.S.C.	3,123	211	2	16	912	99	10	84	35	1,754
Full Field, F.B.I.	619	7	0	1	16	3	1	11	1	579
Totals	51,955	1,345	3	45	19,547	830	19	2,146	125	27,895

Exhibit 9

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PROPOSED GUIDELINES FOR RELEASE BY DEPARTMENTS AND AGENCIES OF INFORMATION ON THE EMPLOYEE SECURITY PROGRAM UNDER E.O. 10450

Factors to consider

A responsibility exists to inform the public how Federal departments and agencies are meeting the problem of security in respect to the employment of government workers.

The Administration is on public record as standing for freedom of information.

News media will bring pressure to bear for specific facts concerning individual cases being processed under Executive Order 10450.

The problem

To satisfy these factors without revealing information which will be detrimental to the efficient and effective operation of the Employee Security Program or which will result in an injustice being done to any employee involved.

Recommendations

In handling the release of information on any subject about which all the facts cannot be revealed, the best approach is to take the initiative to prevent charges of censorship.

Barring sensational information, if all news media are supplied with the releasable facts on a subject before they request them, the exclusiveness of the news is taken away and the material will probably be handled in a more routine way. Further, there will be no impression given that the subject is being "hushed up."

In considering the specific subject of the Employee Security Program, it appears there will be two categories of information of interest to news media:

A. General facts and figures which will show the status of the program, how it operates, and which will indicate its success in meeting the problem of security in connection with employment of government workers.

B. Specific facts, including names, positions occupied and charges made, in cases involving employees where corrective action is being taken or contemplated. This interest will be especially intense in any instance where it is learned by the news media that the employee is considered a security risk.

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DECLASSIFIED
Authority MR 78-29 #1
By bc NLE Date 1/6/78

Recommendations for handling the release of Category A information are:

A. The initiative should be taken by the departments and agencies to release the information in an orderly manner. Information should be released when there are indications that news media are becoming interested in such a story, when the status of the program has changed so that a "report to the public" is advisable, or when general developments are sufficient to warrant a public release from official sources.

B. The stories should include:

1. The approximate total number of cases considered by the agency since the start of the program.

2. A breakdown of the disposition of the total number of cases to show those acted upon favorably, those pending, the number of employees separated, suspended or reassigned, and the number of applicants rejected. Where necessary, the number of resignations effected pursuant to unfavorable investigative reports may be given in answer to a query but in such answer it should be emphasized that a resignation may have been effected for many reasons not connected with a question of the employee being a security risk.

3. Statements which emphasize that all new appointees and applicants are subject to some type of investigation and, therefore, the total number of employees being investigated by any department or agency is actually no measure of the security problem. It should also be pointed out that in the case of separations it cannot be assumed that all employees affected were security risks.

A story based on Category A information may also include general information on the mechanics of the program. This information should not, however, be in such detail that there is danger of its release compromising investigative procedures used or revealing sources of information.

Recommendations for handling the release of Category B information are:

A. No information on individual cases should be released in any instance unless the withholding of it will create such an unfavorable impact upon the public that the successful prosecution of the Employee Security Program will be greatly hampered. The decision as to whether this situation does exist and as to whether the information is to be released should be made only by the White House.

B. As noted earlier, news media may pressure for information on individual cases. The following points are suggested as a basis upon which to explain why such information cannot be made available.

1. The Employee Security Program was established to assure that all persons employed by the Government are reliable, trustworthy, of good conduct and character, and of complete and unswerving loyalty to the United States. To achieve this objective, all employees are subject to some type of investigation. Therefore, the fact that an individual is being investigated does not necessarily mean that there is a question of his reliability, trustworthiness, character, conduct or loyalty.

2. Information obtained in the course of any investigation is, and always has been, confidential and cannot be released.

3. In cases where corrective action is being or has been taken against an employee, no information is released because the corrective action in itself protects the Government. The corrective action is made a matter of record and an individual removed from employment under this program would have to clear his record before he could be again employed by the Government. Also, confidential inquiries from private employers asking whether or not an individual now seeking employment with them was removed from the Government service will be answered.

4. To release the names of individuals and the particulars of their cases and thereby perhaps subject them to public condemnation would be to put the Government in the position of causing a punishment of the individual. The aim of this program is to provide the Government with a means to take the corrective action necessary to protect it. The aim is not to punish.

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By DHC NLE, Date 3-17-77

MINUTES OF CABINET MEETING

October 23, 1953

10:00 A. M. to 12:30 P. M.

The following were present:

President Eisenhower

Secretary Dulles
Hon. H. Chapman Rose
(for Secretary Humphrey)
Hon. Roger M. Kyes
(for Secretary Wilson)
Mr. Brownell
Mr. Summerfield
Hon. Ralph Tudor
(for Secretary McKay)
Secretary Benson
Hon. Robert Murray, Jr.
(for Secretary Weeks)
Secretary Mitchell
Hon. Nelson Rockefeller
(for Secretary Hobby)

Hon. Rowland Hughes
(for Director Dodge)
Mr. Flemming
Gov. Stassen
Mr. Young
Amb. Lodge
Gov. Adams
Gen. Persons
Mr. Shanley
Mr. Young
Mr. Jackson
Mr. Cutler
Dr. Hauge
Mr. Harlow
Mr. Martin
Mr. Morgan

Report on London Conference - In reporting on the conference of Foreign Ministers at London, Secretary Dulles emphasized the conclusions that (1) a conference of heads of state is currently undesirable since it would create false hopes having an adverse effect on EDC, United States budgetary problems, etc.; (2) the Trieste controversy is inspired primarily by local political weaknesses which do not preclude achievement of a settlement -- (the demonstrations were unexpected because of expert British opinion to the contrary, founded on close contact with Yugoslavia); (3) a united front should be maintained by the free powers in regard to the Korean peace conference, and specifically the termination of efforts to have India participate as a neutral. Mr. Dulles pointed out also that the suspension of consideration of TCA funds for Israel resulted not from the recent border incident but from earlier Israeli intransigence on the Jordan River development; and that the developments in Indo-China with the consequent debate in the French National Assembly created serious danger for the Laniel Government.

Review of the Agricultural Situation - Secretary Benson summarized the features of present farm conditions and presented a series of charts depicting trends. He emphasized that the two-year decline in farm prices, cost-price squeeze, decreasing farm share of consumer dollar, and declining net farm income are all leveling out with stabilization now very close. Estimates for the coming year indicate that consumer spending will remain steady, that farm income will probably be only slightly less than at present, that exports will remain at present levels, that carry-over stocks of several basic commodities will increase, that cattle prices should remain steady and perhaps recover somewhat, and that the most considerable problem

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. [illegible], Section 1
By GHC NLE, Date 3-17-77

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may come in regard to dairy products. He noted also that farmers are in relatively good shape as compared to the 1920's because they are not heavily in debt.

In the following discussion the President, Messrs. Brownell, Dulles and Lodge asserted that the summary proposed for release by Agriculture in the coming week was unduly pessimistic in face of the facts presented, and that the summary should be rewritten to correspond more closely with the facts. The President requested that Mr. Benson consult with Dr. Milton Eisenhower prior to publication of this material, and he also wished that the material be made available to the Commission on Foreign Economic Policy.

The final page of the report circulated at this meeting by Mr. Benson, containing possible proposals for a new agricultural program, was turned back to him without substantive discussion of the contents.

Meeting of the Organization for European Economic Cooperation - Governor Stassen briefed the Cabinet on the importance of the forthcoming meeting of the OEEC and indicated how European planning hinges upon their estimates of economic and policy developments in the United States. He stated that 1953 is the best of recent years for Western European and world economic situation as a result of (a) strengthened production, (b) improved dollar holdings, (c) specific United Kingdom improvement, and (d) reasonable balance in the European Payments Union. This improvement, he said, has been coincidental with if not the specific result of new Administration policies since January, 1953.

Governor Stassen stressed the European fear of a major depression in the United States; hence our presentation is designed to show factually the major differences in basic economic factors between 1929 and now. In general, our presentation is designed to convince Europe that it can confidently move forward to increase production, raise standards of living, create a stronger basis for military efforts, and thus elevate and expand the entire world economy.

In the discussion, Secretary Benson commented on the many Congressmen who have recently visited Europe and observed this new economic strength, with the result that they will probably advocate that American economic assistance is no longer necessary. Governor Stassen agreed and stressed the need for a psychological approach which will emphasize Europe's present ability to do without American assistance rather than America's insistence on withdrawing aid.

Employee Security Program - Chairman Young distributed copies of the report on the handling thus far of this program.
In summary he emphasized the need for continued emphasis on rapid action to clear up the many cases pending. He agreed with Messrs. Benson and Tudor that further consideration is needed as to properly recording on personnel records the fact that resignations from Government service may have occurred under pressure of potential security charges but prior to the actual placing of charges.

Mr. Rockefeller suggested an Executive Order to prevent bumping procedures from being applied to temporary security investigators because of the need for continuing rapid action. It was agreed that a press release should be made concerning the number of security suspensions or dismissals thus far under the new program.

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Chairman Young also distributed a set of proposed guidelines for future releases of information by the departments concerning the program, and he asked that they be studied and that comments and suggestions be sent to him. The President stated his disagreement with the proposal that the White House determine whenever exceptions to policies should be made for releasing names or other specific information.

Ambassador Lodge urged that there be a drumfire of press releases on this matter by the departments whenever employees are separated for security reasons, but that a terminal date for this process must be set. Mr. Brownell stated that present appropriations would require the process to be stretched out over several years, but he agreed with Mr. Lodge that appropriations should be increased.

The discussion of the international loyalty program was carried over to next week.

Personnel Problems - In extension of the preceding discussion, the President reported a story from Representative Taber concerning an apparent intentional slowdown by Government employees designed to discredit the Republican Administration whereby a process of making refunds which previously required 10 days now required 60 days.

Mr. Kyes urged the need for authority in every department to fire 10% of its personnel without regard to existing regulations, so that inefficient personnel may be eliminated. He stressed that the past 20 years has provided too much opportunity for employees to be over-rated for efficiency. The President commented on the sanctity of the civil service and expressed his belief that it would be undesirable to create a situation whereby the entire civil service would get the jitters at every change of administration because of a permitted 10% firing without regard to regulations. He feared that as difficult as personnel problems are now, such 10% action would merely make matters worse, and that in this respect the end did not justify the means. Mr. Kyes asserted that such action would serve to protect the good civil servants and was really necessary for that purpose.

Chairman Young felt that solution of current personnel problems depended upon modification of the Veterans Preference Act and that legislation could be secured to this end. Ambassador Lodge was skeptical in regard to obtaining approval for any modifications and emphasized that approval from the American Legion and the VFW would have to be forthcoming before Congress would go along.

Mr. Tudor pointed out that Interior personnel problems in Washington have been pretty well solved but that serious problems remain in the field where new policies are sabotaged by entrenched personnel. Mr. Kyes noted that agriculture policies are sabotaged in the same way. Mr. Hughes commented that the new budget may require further personnel reductions and thus help solve problems.

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CHARTS USED BY GOVERNOR STASSEN FOR CABINET MEETING

OCTOBER 23, 1953

I. Charts Shown to President and Cabinet

A. European Economy

1. European Industrial Production - Total for OEEC Countries: 1950=100
2. Gold and Short-Term Dollar Assets - European NATO Plus Germany
3. Net Cumulative Positions in the European Payments Union
4. Free Market Quotations of European Currencies: United Kingdom Sterling
5. Free Market Quotations of European Currencies: German Deutsche Mark
6. Free Market Quotations of European Currencies: Italian Lira
7. Free Market Quotations of European Currencies: French Franc
8. Per Capita National Income in Selected Countries (World Map)
9. U. S. Appropriations for Aid to Europe and European Defense Expenditures

B. U. S. Economy

1. United States Industrial Production
2. Distribution of U. S. National Income: 1924-1929, Third Quarter
3. Distribution of U. S. National Income: 1946-1953
4. Net Public and Private Debt as Percent of U. S. National Income: 1924-1929
5. Net Public and Private Debt as Percent of U. S. National Income: 1946-1953
6. Miscellaneous Significant Items as Percent of U. S. National Income: 1924-1929
7. Miscellaneous Significant Items as Percent of U. S. National Income: 1946-1953
8. U. S. National Income and Unemployment: 1924-1929, Third Quarter
9. U. S. National Income and Unemployment: 1946-1953
10. Wages and Prices: 1949-1953

II. Charts Taken to Meeting but Held in Reserve

1. Economic Relationship of the U. S. to the World - 1952
2. European Industrial Production - Selected OEEC Countries
3. Free World Sources of Key Raw Materials
4. World Trade in Petroleum
5. U. S. Private Foreign Investment
6. Trend of U. S. Imports and Unemployment
7. Trend of U. S. Imports and Corporation Profits

8. Raw Material Prices, Cost Per Pound - Wool and Tin
9. Raw Material Prices, Cost Per Pound - Nickel and Rubber
10. Raw Material Prices, Cost Per Pound - Abaca, Jute, and Rice
11. Raw Material Prices, Cost Per Pound - Copper, Aluminum, Lead, and Zinc

New Charts of the U. S. Economy

12. Distribution of U. S. National Income: 1929, Fourth Quarter-1939
13. Distribution of U. S. National Income: 1940-1945
14. Net Public and Private Debt as Percent of U. S. National Income: 1930-1939
15. Net Public and Private Debt as Percent of U. S. National Income: 1940-1945
16. Miscellaneous Significant Items as Percent of U. S. National Income: 1930-1939
17. Miscellaneous Significant Items as Percent of U. S. National Income: 1940-1945
18. U. S. National Income and Unemployment: 1929, Fourth Quarter-1939
19. U. S. National Income and Unemployment: 1940-1945

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, October 30, 1953

1. Draft Executive Order on Security of Information.
(The Attorney General)

2. Public Information and Congressional Liaison Personnel in Federal Departments.
(The President)

3. Socialism and the Federal Service.
(The President)

4. Closing of Aviation Control Towers for Economy Interest.
(The Secretary of Defense)

5. Conflict of dates between NATO Meeting and Mayors Conference.
(The Secretary of State)

6. Departmental Press Releases (Mr. Hagerty)

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E.O. 11652, Section 1
By GHC NLE, Date 10-25-77

MINUTES OF CABINET MEETING

October 30, 1953

10:00 A. M. to 11:30 A. M.

The following were present:

President Eisenhower

Secretary Dulles
Secretary Humphrey
Secretary Wilson
Mr. Brownell
Hon. Charles R. Hook, Jr.
  (for Mr. Summerfield)
Secretary McKay
Secretary Weeks
Secretary Mitchell
Secretary Hobby

Hon. Rowland R. Hughes
  (for Mr. Dodge)
Mr. Flemming
Hon. William McN. Rand
  (for Gov. Stassen)
Mr. Harold L. Aitken of Federal
  Civil Defense (briefly)
Gov. Adams
Gen. Persons
Mr. Shanley
Mr. Cutler (briefly)
Mr. Jackson "
Mr. Morgan "

Security of Information - Mr. Brownell reviewed the need for revising the Executive Order issued by President Truman and pointed to some of the changes in the proposed Order, such as the elimination of the category "Restricted" and the establishment of machinery for assessing complaints against classification actions. He indicated that the heads of newspapers are generally satisfied with this draft.

Modifications of the proposed Order have been made in the last day to accommodate the Secretary of Defense's desire to retain for old material the classification "Restricted" until such time as future classification, if any, can be determined; and a "complaint center" will be established in each agency to remove the burden from the White House -- with a White House representative acting in an advisory capacity. In response to a query from Mr. Humphrey, the Attorney General indicated that the Order would be modified to make clear that material previously marked "Restricted" would not have to be systematically reviewed but would be treated instead on a case by case basis as queries arise.

Secretary Dulles wished to delay putting the Order into effect for several months so that the State Department can work out a set of regulations it will need for its own peculiar concerns. The President asserted that every agency would have need for individual regulations and that he assumed this matter had already been coordinated and could go into effect sooner. It was agreed that an effective date of December fifteenth would provide sufficient time for State, and Mr. Hughes commented that this would also allow adjustments in relation to independent commissions not previously consulted.

Secretary Wilson said that Defense was not enthusiastic for this Order and would prefer to keep the category "Restricted",

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particularly for handling certain matters respecting foreign countries and for the handling of contracts. He commented that too much information gets out through writers who have been given free run of defense installations for obtaining information on specific projects. Secretary Dulles also complained about articles which are rushed for a publication's deadline without adequate opportunity for the State Department to review them.

The President replied that, from his experience in defense matters, he knew that "Restricted" had very little meaning and he was sure that Moscow was fully informed on all "Restricted" material. He felt that other ground rules could be laid to control publication problems without resorting to maintenance of the "Restricted" category. He emphasized that the proposed Order is really a public relations matter and that the Administration will benefit greatly by putting it through. In this discussion, Mr. Wilson had pointed to articles by officers immediately following their retirement where many secrets are given away, and the President countered with an indication of the means whereby retired officers remain subject to disciplinary measures with respect to protection of security information.

The President had occasion in this discussion to comment on Service morale, and he indicated his great concern with it and his feeling that certain privileges such as medical service for families, good uniforms, commissary privileges, etc., should be available as a means of keeping high morale among the defenders of American security.

Public Information and Congressional Liaison Personnel - The President cited various statistics including a 1952 Budget report which showed the great numbers of personnel assigned to these activities. He emphasized the need for quality rather than quantity, and he asked Cabinet members to review the numbers and functions of these people with a view to reducing the quantity. He noted necessary variations caused by differing departmental responsibilities. He stressed the need for establishing effective Congressional liaison in each Department prior to the next session of Congress, since the White House cannot continue to carry the burden as it did last session.

Messrs. Wilson and Benson agreed, with the latter pointing out that a recent study of Agriculture public information activities by a group of "disinterested outsiders" was extremely effective and will probably result in a personnel reduction of 33%.

Socialism in the Federal Service - The President reported on his interview with Norman Thomas and emphasized the latter's complaint that it is too easy to confuse Socialists with Communists and that civil servants should not be dismissed from non-policy making jobs because of adherence to Socialist doctrines. He said that Mr. Thomas had noted the criticism that "McCarthy runs McLeod and McLeod runs Dulles".

The President stated his agreement with Mr. Thomas in regard to non-discrimination against Socialists, except in policy making positions.

Mr. Dulles commented on a plank in the Socialist Party platform which equates capitalistic economies with war-mongering. The President

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commented that because of the broad range of the term there are some Socialists who are actually more conservative than American middle-of-the-road people.

Governor Adams called attention to a staff paper prepared by Chairman Young on this matter and indicated it would be circulated to the Cabinet.

Closing of Aviation Control Towers for Economy Purposes - Secretary Wilson recounted the dispute concerning this matter in which Budget had sided with Commerce in directing the closing of certain towers. He stated that Defense was willing to pay for continued operation by the CAA of the Duluth and Niagara Falls towers but that Defense should not be in this business because of various legal responsibilities.

Mr. Humphrey suggested the Administration adopt a general policy of having costs paid by whatever department desires a service but the service to be performed by the agency best qualified to do it. The President reserved judgment as to how such a policy would operate in many specific areas, and Mr. Hughes commented it could not be applied to all minor activities.

Secretary Weeks reviewed Commerce policy regarding these closings, and emphasized that the Defense Department should cooperate in urging local civilian authorities to take over operation of towers as some have done at airports not used by Defense.

It was agreed that the matter would be discussed further by the Departments of Defense and Commerce and the Bureau of the Budget and, if need be, taken up again with the President but not in Cabinet.

White House Mayors Conference - Mr. Dulles noted the conflict in date of the December NATO meeting and this conference. He suggested that Civil Defense change the date of the conference or settle for certain Departmental Under Secretaries as speakers. Mr. Aitken of Civil Defense noted the near impossibility of changing the date. The President and Secretaries Dulles and Humphrey asserted the priority for the NATO meeting and the need for Civil Defense to work out a different approach than originally planned in regard to speakers.

Departmental Press Releases - After citing the release of information by the Atomic Energy Commission concerning civilian atomic power plants and by Army concerning POW atrocity stories, Mr. Hagerty urged that the Departments give advance notice of such newsworthy items to the White House for consideration for use in the President's weekly press conferences. He emphasized that greater benefit for the Administration can be had frequently through Presidential announcements of such items.

Mr. Hagerty recalled the discussion earlier in this meeting concerning security leaks through magazine writers and indicated that the Collier story in question was by a free lance writer who had been assigned to do an article on radar but who obtained much gratuitous information on other subjects from Defense officials. The President suggested advance agreements in such cases containing a right to review by the Department. Mr. Hagerty, Mrs. Hobby and Mr. Humphrey indicated

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the effectiveness of cooperative understanding when the regularly assigned press was utilized instead of resort to free lance writers.

Cost of Living Index - Mr. Humphrey again called attention to the misleading headlines which accompanied the latest Cost of Living Index report. Secretary Mitchell replied that close attention had been given to preparation of this release as well as others but that the newspapers wrote their own headlines from material frequently not emphasized in the release. Secretary Humphrey suggested the desirability of a statement by the department head which might offset misleading headlines.

Patronage Problems - The President reviewed his breakfast discussion with Chairman Hall who reports that he is unable to be effective in many of his functions because individuals at the grass roots always turn the discussion to lack of patronage. The President reiterated his desire to have each Cabinet member name a principal assistant to serve as a point of contact with Chairman Hall in handling such problems.

Mrs. Hobby noted that HEW has been commended for its organization in this respect but condemned for its lack of vacancies. Mr. Humphrey opined that the Republican National Committee should name an individual also as a point of contact with each department, as was done in regard to Treasury where effective relations now exist.

Mr. Dulles reviewed the many changes in the State Department and noted that below the very top level there was little opportunity to assist Chairman Hall because of reductions in force.

General Persons recalled the earlier criticism of sending "hold-overs" to testify to Congress and emphasized the need for avoiding this in the next session.

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to Mrs. Whitman and Minnich.)

COPY

UNITED STATES CIVIL SERVICE COMMISSION
WASHINGTON, D. C.

CHAIRMAN

October 28, 1953

MEMORANDUM TO GOVERNOR ADAMS:

SHOULD SOCIALISTS BE BARRED FROM FEDERAL EMPLOYMENT?

By the term Socialist, I assume you mean a member of the Socialist Party or a proponent of a Socialist philosophy of Government. So far as I have been able to determine, there is no law, rule or regulation barring Socialists from Federal employment such as there is in the case of Communists or those affiliated with Communist organizations.

Thus, this question might be broken down into two parts:

1. Would Socialists applying for Federal positions become identified as Socialists, and

2. Is it desirable or undesirable to employ Socialists at all?

This discussion concerns itself with Federal jobs outside of the policy-determining positions in Schedule C. I believe these represent no problem and that there is little argument of the fact that these positions should be filled by the Administration in power with its own people.

In response to the first part of the question, it would seem to me that chances are that a person would be identified as a Socialist if he were applying for a Federal job either during the period that he was being considered or going through the examination procedure or shortly after his appointment. This assumes that the individual Socialist is an active proponent of his beliefs.

Today every appointment in the Federal service is subject to investigation. While an application form does not require that information be given concerning a candidate's political affiliations other than a statement to the effect that he is not a Communist or affiliated with Communist organizations, in a number of instances qualifications investigations of individual applicants are made as part of the examining process. Next, the Civil Service Commission has the responsibility for the determination of suitability of the applicant as a potential Federal employee. This determination may be made on name and record checks plus other investigative material on hand, or the Commission itself may ask for a qualifications investigation.

The candidate receives another going over under the Employees' Security Program if his name is referred to a department or agency.

Here, if he is being considered for a sensitive position, he is subject to a full field investigation or its equivalent. If he is an applicant for a non-sensitive job a lesser investigation may suffice. Even if the active Socialist gets on the payroll in a non-sensitive job, he would probably become identified by fellow employees and might well become subject to a full field investigation under Section 5 of Executive Order 10450.

It would seem to me that these various investigations and checks would automatically indicate whether the employee was a Socialist or not.

If the Socialist were already an employee and had been previously investigated under the old loyalty program, his case would be automatically reviewed in the light of the criteria in Section 8 of Executive Order 10450. Furthermore, it should be noted that the employee is subject to taking the oath of office that he will support and defend the Constitution and bear true faith and allegiance to the same. Of course, in the case of any Socialist already on the payroll the provisions of the Hatch Act would apply against his engaging in any political activities.

In response to the second part of the question as to whether it is desirable to have Federal employees who are Socialists, it seems to me that there can be only one answer. The policy of the Administration requires that in the interest of national security all persons privileged to be employed in the departments and agencies of the Government shall be reliable, trustworthy, of good conduct and character and of complete and unswerving loyalty to the United States.

Furthermore, the Administration has stated that all persons should receive fair, impartial and equitable treatment at the hands of the Government.

If an applicant for a Federal position meets and passes the various tests I have noted above, it would seem to me that he wouldn't be a very good Socialist. We may have some Federal employees who are creeping Socialists; but I should point out that it does not follow that all creeping Federal employees are Socialists.

/s/ Philip Young
PHILIP YOUNG
CHAIRMAN

PY:bdu

13 Nov. 1953

THE WHITE HOUSE
WASHINGTON

Follow-up for Future Cabinet Agenda

On Oct 30, the President asked all to review and scrutinize numbers and quantity of public relations and Congressional liaison personnel in their departments.

A Cabinet discussion of the "findings" would be an effective way to prod the study and also perhaps produce information of value to all the others.

Cabinet progress report

Too many public relations counsel
for the product we have
received.

Get good Cong. liaison shops
organized to carry burden
& keep W.H. free

[illegible]

THE WHITE HOUSE
WASHINGTON

October 30, 1953

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PERSONAL AND CONFIDENTIAL

Dear Mr. Rand:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet meeting:

Executive Order on Security of Information - The Cabinet approved this proposed Order subject to an effective date of December 15th and to modification by the Attorney General in regard to disposition of material which has been classified "Restricted" in the past, along with modification of the provisions of Section 18.

Public Information and Congressional Liaison Personnel - The President requested Cabinet members to have a principal assistant study closely the numbers and activities of such personnel with a view to reducing quantity and improving quality, and to establishing an effective Congressional liaison group prior to the next session of Congress.

Socialism in the Federal Service - In accordance with Governor Adams' remarks during this discussion, there is attached a copy of the memorandum prepared by Chairman Young.

Departmental Press Releases - It was agreed that Departments and Agencies would bring to the attention of the President's Press Secretary in advance of release any important press releases which might be best utilized in the President's weekly press conferences.

Patronage Problems - The President reiterated his desire that each Cabinet member designate a principal assistant to serve as a point of contact with Chairman Hall.

Sincerely,

Paul Carroll
Paul T. Carroll
STAFF SECRETARY

Honorable William McN. Rand
Acting Director
Foreign Operations Administration

COPY

UNITED STATES CIVIL SERVICE COMMISSION
WASHINGTON, D. C.

CHAIRMAN

October 28, 1953

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The candidate receives another going over under the Employees' Security Program if his name is referred to a department or agency. Here, if he is being considered for a sensitive position, he is subject to a full field investigation or its equivalent. If he is an applicant for a non-sensitive job a lesser investigation may suffice. Even if the active Socialist gets on the payroll in a non-sensitive job, he would probably become identified by fellow employees and might well become subject to a full field investigation under Section 5 of Executive Order 10450.

It would seem to me that these various investigations and checks would automatically indicate whether the employee was a Socialist or not.

If the Socialist were already an employee and had been previously investigated under the old loyalty program, his case would be automatically reviewed in the light of the criteria in Section 8 of Executive Order 10450. Furthermore, it should be noted that the employee is subject to taking the oath of office that he will support and defend the Constitution and bear true faith and allegiance to the same. Of course, in the case of any Socialist already on the payroll the provisions of the Hatch Act would apply against his engaging in any political activities.

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Furthermore, the Administration has stated that all persons should receive fair, impartial and equitable treatment at the hands of the Government.

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/s/ Philip Young
PHILIP YOUNG
CHAIRMAN

PY:hdu

The President

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

November 12, 1953

✓ 1. The Three January Reports. (Governor Adams) ✓

✓ 2. Comments. (Secretary of State) ✓

✓ 3. Highpoints of Canadian Speech. (The President) ✓

4. Cabinet Secretary. (The President) ✓

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urgent ✓

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E.O. 11652, Section 1

By DHC NLE, Date 7-29-76

MINUTES OF CABINET MEETING

November 12, 1953

10:05 A. M. to 11:15 A. M.

The following were present:

President Eisenhower

Secretary Dulles
Secretary Humphrey
Secretary Wilson
Mr. Brownell
Mr. Summerfield
Hon. Ralph A. Tudor
(for Secretary McKay)
Hon. True D. Morse
(for Secretary Benson)
Secretary Weeks
Secretary Hobby

Mr. Dodge
Mr. Flemming
Mr. Rand (for Governor Stassen)
Mr. Young
Governor Adams
General Persons
Mr. Shanley
Mr. C. D. Jackson
Mr. Cutler
Dr. Hauge
Mr. Harlow
Mr. Rabb
General Carroll

State of the Union and Budget Messages and Economic Report - Governor Adams reported on a memorandum from Dr. Hauge concerning the distribution of material for these three messages. The State of the Union message will consist mainly of an accounting of stewardship during the past year, defense and foreign affairs matters, some economic philosophy in broad terms, and something of the legislative program for the coming year. The Budget message will include in much greater detail the legislative program and the tax program, as well as the normal budget material. The Economic Report will go into further detail on economic matters with particular emphasis upon forward planning for any economic crises, and will have much statistical data for items presented in the other messages.

Governor Adams outlined a proposal for getting to work on policy decisions so there will be no jam at the end of December. He also invited Cabinet members to submit "Position Papers" with any ideas they may wish to suggest even though such are not in the official area of their responsibilities. These will be coordinated by the White House with the appropriate departments.

The President expressed a feeling that the State of the Union message should be delivered in person again this year. He strongly emphasized the necessity for presenting specific programs which will refute criticisms, go as far as possible in fields where Commissions have yet to report, and emphasize the Administration determination to provide for the needs of all Americans, particularly the "little fellow" and those in need. The Budget message should contain specific provision for measures proposed in the fields of slum clearance, small business loans, etc., to prevent any possibility of good intentions remaining mere words. He asserted the Administration must not be known as one

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which could merely "draw back" without ability to go forward in many vital areas.

Secretary Wilson felt this would apply to his project for increasing military pay to offset the bad morale resulting from limitation of commissary privileges, family medical services, and inadequate housing. The President replied repeatedly that to him it seemed most important that the effort be made to restore "fringe benefits" rather than a general raising of military pay.

Foreign Affairs Developments - Mr. Dulles commented briefly on the plans for the Bermuda Conference which had been inspired principally by Mr. Churchill and will probably concern (although no agenda has been set) such matters as future German policy, EDC, Iran, etc. He noted also the great success of the Vice President's Far East tour and the hope that greater understanding of Mr. Rhee's intentions will be forthcoming from the Vice President's visit to Korea. He indicated this is extremely necessary in connection with the presentation of the Security Treaty and the rehabilitation program during the next session of Congress.

The Secretary regarded the Philippine elections as very beneficial to us and commented on the return of two special emissaries -- the one from Iran and Britain with some progress in reaching an oil agreement; and the other, Eric Johnston, from the Near East with little success in promoting Arab-Israeli good will. He stressed the irrational hatreds which impede decisive settlements in many other places also such as Trieste, Kashmir, and Suez.

The President encouraged members of the Cabinet to express their opinions on these foreign policy matters; frequently questions of domestic policy are involved. He expressed his own belief that the best politics at home is to do "the right thing" in overseas areas even though we temporarily alienate extremists at home. He recalled one development during the last Administration when officials frankly admitted they were playing politics rather than doing the right thing abroad.

Canadian Speech - The President talked briefly about the content of the speech he will make to the Canadian Parliament and emphasized the three basic items in it concerning the St. Lawrence development, trade relations, and continental defense.

Mr. Tudor commented on the feeling of Canadian members of the International Joint Commission that some revamping of the Commission is necessary, particularly because of the low rank of the American members. Mr. Dulles related that the State Department is working up recommendations on this subject.

Mr. Flemming commented that the Canadians will have much interest in the recommendations of the Cabinet subcommittee on minerals particularly as it touches on the idea of a joint Canadian - U.S. supply of critical materials. Messrs. Humphrey, Tudor, Flemming and Weeks all reaffirmed faith in the joint supply policy and referred to recent NSC actions in this respect.

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By BHC NLE, Date 4-26-77

The President called attention to the coming changes in the Permanent Joint Board on Defense. Mr. Wilson "volunteered" to get in touch with the Chairman of the United States Section, General Henry, to advise him of this.

Cabinet Secretary - The President announced that in order to facilitate the work of the Cabinet, particularly in regard to preparation of items for the agenda and clarification of decisions, he was designating Mr. Max Rabb as Cabinet Secretary, and he requested that each Cabinet member appoint a principal assistant to serve as a point of contact on all Cabinet matters. He emphasized that this would be on a trial basis and that it was not in any way an attempt to put Cabinet members "on record".

Mr. Dodge urged that there be no circulation of any record of the Cabinet meetings, for they invariably are circulated further than is to be desired. He felt that only a directive for specific points of concern to each individual would be necessary. Mr. Humphrey and Mr. Dulles urged that the aide-memoires be continued, and it was so agreed.

The White Case - The President noted a press report that he was not supporting his own Attorney General, and he emphasized that he had consulted with Mr. Brownell prior to his press conference remarks. He stressed that Cabinet members have extensive authority both in their own right and acting for him and that he was determined to stand behind them. He said that with obvious necessary exceptions he would back up their actions with all his strength.

The President noted that in the press conference the point of Mr. Brownell's action had been lost while the press tended to become defenders of the past Administration and Mr. White. The real point, he emphasized, was whether this was the kind of man who should have been appointed to high position.

Mr. Brownell commented on the need for making the point that the FBI reports had reached the White House, and he outlined the material which he had promised to make available later on to substantiate the action.

Mrs. Hobby referred to security cases in general and warned against the trivia which sometimes appears in security officers' reports. She urged that security officers be instructed not to include trivia which would not enter into the making of the decision. She cited specifically a statement that the subject of an investigation read the Daily Worker and commented that many people had to read it in their business.

Legislative Leadership Meetings - General Persons outlined the plans for the meeting at the White House with the Legislative Leaders on December 10th, 11th, and 12th to shape up the legislative program for the next session. He and Mr. Dodge are now working up the agenda and appropriate Cabinet members will be asked to present the material of particular interest to each. He indicated that some of the items may have to be discussed in Cabinet prior to the meeting.

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Mr. Dulles cited the legislation on Mutual Security as of prime importance. Mr. Dodge stated that Budget will have ready a recommendation by the end of this week.

Agricultural Surpluses - The President extended the discussion of the previous item into a statement of the need for devising means of utilizing agricultural surpluses. He re-emphasized his determination not to allow them to be wasted, and he suggested the possibility of linking sale of agricultural surpluses to the Point IV Program through the use of counterpart funds.

Mr. Dodge cited the many difficulties in this respect, but the President noted that difficulties would exist in any program and that the best possible one had to be found. Mr. Flemming noted that a study was being made of the feasibility of bartering agricultural surpluses for critical defense materials.

LAM

(Reported by Minnich. Copies only to
Mrs. Whitman and Minnich.)

~~CONFIDENTIAL~~

NOTES FOR THE PRESIDENT

Highlights of Canadian Speech:

International trade ✓

St Lawrence Seaway ✓

Continental defense ✓

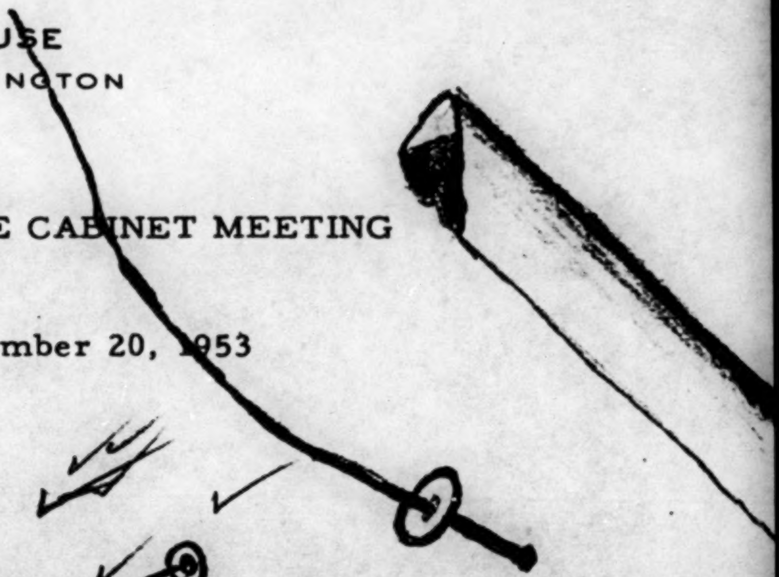
Cabinet Secretary - Mr. Rabb

Facilitate Cabinet work

Advance preparation of agenda

Our program

THE WHITE HOUSE
WASHINGTON



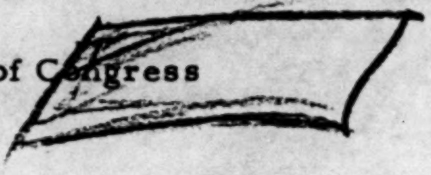
AGENDA FOR THE CABINET MEETING

Friday, November 20, 1953

✓ 1. Social Security. (Mrs. Hobby) ✓ ✓

✓ 2. Tax Program. (Mr. Humphrey) ✓

3. Schedule "C" and Patronage. (Mr. Young) ✓



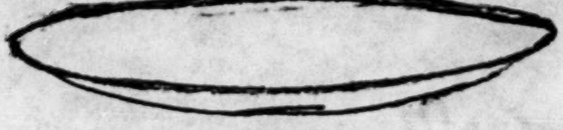
4. Availability of Cabinet members to members of Congress and other national leaders. (The President)

5. Necessity for security re discussion of legislative program and other matters in Cabinet. (Governor Adams)

6. Legislative Leaders' Conference. White House meeting of Administration legislative liaison representatives. (General Persons)

Staff

U.N. Talk



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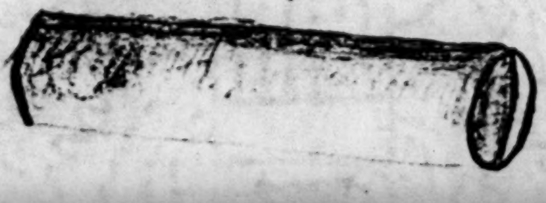

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E.O. 11652, Section 1
By DHC NLE, Date 7-29-76

MINUTES OF CABINET MEETING

November 20, 1953

10:00 A. M. to 12:20 P. M.

The following were present:

President Eisenhower

Secretary Dulles
Secretary Humphrey
Hon. Roger M. Kyes
(for Secretary Wilson)
Mr. Brownell
Mr. Summerfield
Secretary McKay
Hon. True D. Morse
(for Secretary Benson)
Secretary Weeks
Secretary Mitchell
Secretary Hobby
Hon. Nelson Rockefeller
3 HEW aides

Hon. Marion B. Folsom
Dr. Arthur Burns
Hon. Rowland Hughes
(for Director Dodge)
Mr. Flemming
Gov. Stassen
Mr. Young
Amb. Lodge
Gov. Adams
Gen. Persons
Mr. Shanley
Mr. Jackson
Mr. Rabb
Dr. Hauge
Mr. Morgan
Mr. Harlow
Messrs. Cutler and Martin (in part)

Social Security Program - Mrs. Hobby presented in broad outline the coming recommendations of her department for strengthening the OASI program and for subsequent reduction of Federal grants for old age assistance. A series of charts were explained by her assistants, emphasizing the increased aged population, benefits paid to them, and their sources of income. It was pointed out that extended OASI coverage could virtually eliminate the need for assistance payments by 1980. Mrs. Hobby emphasized that OASI would continue to operate as a self-supporting program.

A second series of charts were presented to explain in detail each of eight proposals for strengthening OASI, including (1) extension of coverage as in the Reed Bill, (2) coverage for Federal employees, (3) liberalization of the "retirement test", (4) raising the wage base to $4200, (5) increased benefits, (6) elimination of four lowest income years in computations, (7) preservation of benefit rights for disabled, (8) rehabilitation program for disabled. These proposals would create some increases and some decreases in costs, with a net effect of increasing the presently scheduled tax rate by .39% now or .51% beginning in 1970.

(Mr. Cutler joined the meeting.)

The President queried and the Cabinet discussed the possible effect of several of these changes as encouraging workers to retire

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promptly at age 65 or even before. Secretary Mitchell wished to get away from any magic figure, such as age 65, as a norm for retirement. Mr. Folsom emphasized that some specific age must be used for computation purposes and that nothing compulsory is implied by this usage.

The President noted the suggestion once given him by Senator Taft for paying benefits to everyone who becomes 65, particularly as a program easy to administer. Ambassador Lodge commented on the similarity of this to the Townsend Plan, and Mrs. Hobby pointed out the impossibility of holding benefits at any certain level. The answer to a query from Secretary Weeks indicated that the present operating plans for OASI would put the program in exact balance of income and outgo in the year 2050. Current excess receipts and the interest on them will continue to increase until 1985.

Secretary Humphrey called attention to the Social Security proposals being developed by Representatives Reed and Curtis and their desire to present them to the President in the near future. The President indicated his willingness to listen to them but to refer their proposals to Mrs. Hobby for study, and he stressed the fact that he could give them no promises, particularly not the one they would request -- namely, that he would not oppose their recommendation.

Mrs. Hobby pointed out that their plan was very similar to a recent Chamber of Commerce proposal which she characterized as a "criminal raid on the Social Security trust fund". She stated also that the Chamber of Commerce plan had much less political attractiveness than the HEW proposals. Governor Stassen hoped that the President would, in front of Representatives Reed and Curtis, give strong support to Mrs. Hobby's proposals and prevent the Representatives from going overboard on their plan. However, Mrs. Hobby expressed the desire to talk first with Senator Millikin before advising any one else of the HEW plan. Mr. Rockefeller commented on the danger of sabotage of this plan if its details were made known outside the Cabinet prematurely.

Mrs. Hobby and her assistants presented detailed charts proposing a revised formula for matching grants to states for old age assistance. She then summarized the entire set of proposals as economically sound, most beneficial for the aged, saving on Federal funds, and with wide appeal.

The Cabinet applauded at the end of this extremely effective presentation, and the President commented that it looked as if the program was approved.

Tax Program - Secretary Humphrey recounted the discussions going on with Chairman Reed with a view to developing a Ways and Means Committee tax program which would be in line with a program to be set forth by the President in January. He emphasized the need for keeping this material in strictest confidence. He forecast a reduction of expenditures in fiscal '55 of $5-6 billion to allow a break-even cash budget or a $2-3 billion deficit in the paper budget. He stated that as a means of offering some hope to the taxpayer, the tax program might be broken into two parts -- a normal postwar tax and an excess security tax. These two combined would approximate present levels. A new excise

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By NLE Date 7-29-76

program would bring reductions in the present most heavily taxed items and would broaden the base to nearly all other items at the manufacturers' level.

In reply to Ambassador Lodge, he indicated that the present economic situation would foster competition, thus preventing the passing on of the tax to the consumer. The President queried the possibility of changing the corporation income tax rate as an alternative, to which Mr. Humphrey replied by stressing the dangers of relying on income taxes primarily. The President noted his prior agreement with Secretary Humphrey in broad terms but wanted to emphasize the propaganda which can be made against a broad excise tax. Ambassador Lodge predicted it could not be passed in an election year and that the Administration would be the loser thereby. Governor Stassen urged an increase of perhaps 2% in the corporation income tax as an equalizing action.

Mr. Folsom outlined the numerous changes being proposed which would benefit many groups, particularly the small man, small business, and expanding businesses.

Secretary Weeks suggested a selective downward revision of present heavy excises rather than an equal reduction of all. Governor Stassen again recommended the merits of at least a Presidential recommendation for a slight increase in the corporation income tax. Mr. Folsom pointed out that the excess profits tax expiration affects only 15% of corporations and that the other 85% has yet had no relief. Mr. Humphrey added that the maintenance of present rates will have the effect of being an increase in view of the legislation now standing for reduction of the rate to 47%. Ambassador Lodge and Governor Stassen continued to urge greater attention to the needs of the low income groups.

The President suggested that any Cabinet members who have suggestions for the tax program send them to Mr. Humphrey, and the latter indicated his willingness to discuss such suggestions in person.

Personnel Policy - It was agreed that Mr. Young's presentation would be postponed to a subsequent meeting, and the President went on to comment that while he did not wish Civil Service to deteriorate, nevertheless he saw some merit in complaints that the Civil Service Commission refused to regard Personnel Directors as policy-making. He felt that top personnel matters must be regarded as high policy. Chairman Young commented that CSC has regarded the Personnel Director as a technician who carries out policy laid down at the Secretary level. He pointed out that many Schedule C positions remain vacant and that making a position "Schedule C" does not affect the incumbent.

Availability of Cabinet Members - The President reported complaints from Congressmen who say that they have to see him because they are unable to obtain appointments with Cabinet members, and he joked about Secretary Humphrey's appointment secretary being a Democrat who would let in no Republican Congressmen.

Cabinet and State of Union Information - Governor Adams read a memorandum emphasizing the need for maintaining privacy of information developed in Cabinet or in connection with the State of the Union message, with particular reference to protecting the general tenor of the message.

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Secretary Weeks suggested that each department make a list of its accomplishments to date as a supplement to the State of the Union material already submitted. The President expressed great favor.

Legislative Leadership Conference - General Persons noted that the conference has been changed to December 17, 18, and 19, and that each Cabinet member will receive notification as to his participation. The need for discussion of certain basic proposals may require scheduling additional Cabinet meetings in the near future. General Persons indicated that the departmental legislative liaison people will be asked to meet with his subcommittee. The President hoped that the Cabinet would go ahead with such meetings even though he may not be able to attend them all.

* * * *

The President concluded the meeting with a brief but strong statement on the necessity of presenting a forward-looking program in which he noted that the Administration must be able to put over and maintain a moderate program if it is to be justified in the eyes of the public.

LAM
Minnich

Distribution: Mrs. Whitman
Mr. Rabb
Mr. Minnich

THE WHITE HOUSE
WASHINGTON

November 19, 1953

MEMORANDUM FOR GOVERNOR ADAMS

RE: Cabinet Agenda: Item IV, "Availability of Cabinet Members to Members of Congress and Other National Leaders", (the President).

This Item developed as a result of a conference between Congressman Becker (N.Y.) and the President which Jack Martin also attended.

The President knows what is involved in this Item. Becker told the President that he had a matter of importance affecting South Italy and had tried unsuccessfully for several days to arrange an appointment with the Secretary of State. He indicated that the President was easier to see than some of the Cabinet officers. Therefore, the President wants to bring up at Cabinet meeting the question of Cabinet members seeing national leaders and Members of Congress in order to suggest that they instruct their subordinates to be more careful about this matter.

Max Rabb

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THE WHITE HOUSE
WASHINGTON

November 19, 1953

MEMORANDUM FOR GOVERNOR ADAMS

RE: Cabinet Agenda: Item V, the "Necessity for Security re Discussion of Legislative Program and Other Matters in Cabinet".

The above Item has been assigned to you for discussion in the Cabinet meeting. The need for security in connection with the State of the Union message, pending legislative proposals, and Cabinet papers should be reemphasized at this time. This will help to develop meaningful Cabinet programs in the future. It is essential that Cabinet officials bear in mind the TOP SECRET nature of the Cabinet meetings, and the fact that position papers submitted there must be kept completely secret.

It has been suggested by members of the White House staff that we should not disclose the general tenor of the State of the Union proposals and the forward-looking approach which is contemplated; otherwise, the entire document will be discounted before the State of the Union speech, and the impact of a message with surprise provisions will have been lost.

The Dwight D. [illegible] Library

Max Rabb

THE WHITE HOUSE
WASHINGTON

November 20, 1953

PERSONAL AND CONFIDENTIAL

Dear Governor Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet meeting:

Tax Program - Cabinet members were invited to send to Secretary Humphrey or to talk over with him any ideas they may wish to suggest for the tax program for the coming year.

Cabinet Schedule - There will be no Cabinet meeting next week (November 27). It was indicated that extra meetings of the Cabinet may have to be scheduled prior to the Legislative Leadership Conference in order to discuss the basic legislative proposals to be submitted by the Administration.

Legislative Leadership Conference - Cabinet members will be notified as to their participation in these meetings now scheduled for the White House on December 17, 18, and 19. The Legislative Liaison officers of each department will be requested to meet with General Persons' committee prior to this conference.

Availability of Cabinet Members - The President called attention to the difficulty experienced by some Congressmen in securing appointments with members of the Cabinet.

Cabinet and State of Union Information - The extreme importance of maintaining the privacy of information developed at Cabinet meetings or in connection with the State of the Union message was emphasized.

Unless otherwise notified by Cabinet members, the White House will transmit State of the Union documents directly to Cabinet members under "Personal" cover.

Each department was requested to submit to Mr. Harlow for use in the State of the Union message a summary of the department's achievements during the past year.

Sincerely,

Maxwell M. Rabb

MAXWELL M. RABB
Cabinet Secretary

Honorable Harold E. Stassen
Director
Foreign Operations Administration

2nd Draft

AGENDA
CABINET MEETING
November 20, 1953
10:00 A. M.

I. Legislative Considerations

(a) Legislative Leaders' Conference December 17, 18, and 19, and role of Cabinet members.
(General Persons)

(b) Conference of Administration Legislative Liaison Men in the White House.
(General Persons)

It is contemplated that there will be a series of conferences held between those in the White House charged with legislative responsibility and the legislative representatives of the various Departments, in order to insure effective coordinated action during the coming Congressional session.

(c) Increased Use of Message Technique.
(General Persons or Mr. Rabb)

(d) Necessity for Security re Legislative Program.
(Governor Adams)

The need for security in connection with the State of the Union message, legislative proposals, Cabinet papers and agenda needs reemphasizing at this time. It has been suggested by members of the White House staff that we should not disclose the general tenor of the State of the Union proposals and the forward-looking approach; otherwise, the entire document will be discounted before the State of the Union speech, and the impact of a message with surprise provisions will have been lost.

(e) Administration Policy re Presentation of Legislative Program.
(The President)

In entering legislative discussions it is necessary to know whether the Administration intends to pursue (1) a program extensive and far-reaching which might not obtain Congressional approval, or (2) a program which is watered down so as to get some degree of assurance of passage. This is a basic question, and should be settled in order that the Cabinet and the White House representatives will have guide lines to assist them in their conferences with the legislative leaders.

II. Social Security.
(Mrs. Hobby)

III. ~~Developments in the Harry Dexter White case.~~
~~(Mr. Brownell)~~

IV. Schedule "C" and Patronage.
(Mr. Young)

V. Availability of Cabinet Members to Members of Congress and Other National Leaders.
(The President)

VI. ~~Report on Breakdown of Mail.~~
~~(Mr. Rabb)~~

VII. ~~Coordination of Governmental Labor Agencies.~~
~~(Mr. Flemming)~~

VIII. ~~Report on Agricultural Trip.~~
~~(Mr. Benson)~~

IX. ~~Report on Visit to CIO Convention.~~
~~(Mr. Mitchell)~~

THE WHITE HOUSE
WASHINGTON

November 18, 1953

MEMORANDUM FOR: MR. RABB

Subject: Cabinet Agenda

1. The following item was obtained from Jack Martin, who was present when the President met with Congressman ~~Bender:~~ Becker, N.Y.

> "The President wants to bring up at a Cabinet meeting the question of members seeing national leaders and Members of Congress, and suggest that they instruct their subordinates to be more careful about this matter."

2. Chairman Young, Civil Service Commission, wants ten minutes for a discussion of Schedule C.

PTC

Paul T. Carroll
Staff Secretary

THE WHITE HOUSE
WASHINGTON

November 17, 1953

Mr. Rabb -

Here is Mrs. Dennison's report re Cabinet:

TREASURY - Secretary Humphrey will attend; nothing for agenda.

DEFENSE - Deputy Secretary Kyes will attend; nothing for agenda.

JUSTICE - no report.

POST OFFICE - no report.

INTERIOR - Secretary McKay will attend; nothing for agenda.

AGRICULTURE - no report. (Mr. Benson is just back today from trip. Will advise tomorrow.)

COMMERCE - no report.

LABOR - Secretary Mitchell will attend; nothing for agenda.

HEALTH, EDUCATION, AND WELFARE - no report. (MR says they have something to present.)

FOREIGN OPERATIONS - Mr. Stassen will attend; nothing for agenda.

DEFENSE MOBILIZATION - no report. (MR has talked with them.)

BUDGET - Director Dodge home ill today. No report.

CIVIL SERVICE - Will have to call back.

UNITED NATIONS - Nothing for agenda.

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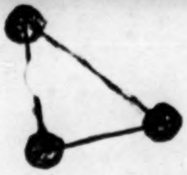
The President



THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Wednesday, December 9, 1953

✓ 1. Notes on Bermuda and the United Nations. (The Secretary of State) I

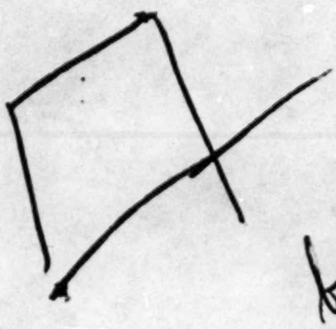
✓ 2. Housing and slum clearance. (The Administrator, Housing and Home Finance Agency) II ✓

✓ 3. Unemployment insurance. (The Secretary of Labor) ✓

4. Civil Service legislation. (The Chairman, Civil Service Commission) ✓ ✓

✓ 5. Contract award to supply generators No. 13 and No. 14 for McNary Dam. (The Secretary of Defense)

6. Postal rates. (The Postmaster General)



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E.O. 11652, Section 1
By LHC NLE, Date 3-17-77

MINUTES OF CABINET MEETING

December 9, 1953

10:00 A. M. to 12:45 P. M.

The following were present:

President Eisenhower

Secretary Dulles (briefly), and
his Legal Adviser, Herman Phleger
Secretary Humphrey
Secretary Wilson
Mr. Brownell
Mr. Summerfield
Secretary McKay
Hon. True D. Morse
(for Secretary Benson)
Secretary Weeks
Secretary Mitchell, and
Asst. Sec. Rocco C. Siciliano
Secretary Hobby
Mr. Dodge
Mr. Flemming
Governor Stassen

Chairman Young, and
Mr. Joseph Winslow
Hon. Albert Cole, HHFA, and
Asst. Adm. Neal J. Hardy
Mr. Ullman
Dr. Arthur Burns
Governor Adams
General Persons
Mr. Shanley
Mr. Rabb
Mr. Morgan
Mr. C. D. Jackson
Dr. Hauge
Mr. Martin (in part)
Mr. Minnich

Bermuda Conference - The Secretary of State reported on aspects of the Bermuda Conference, emphasizing such things as (a) the selection of early January for the proposed Four-Power Conference in order to follow after the French election of December 17th, yet precede the full activity of the US Congress; (b) Mr. Churchill's hesitancy in regard to the President's UN speech because of its bearing publicity-wise on the Four-Power Conference; (c) the difficulty of accomplishing anything in regard to EDC because of the current French situation; (d) the differences of opinion in regard to colonialism as supported particularly by Mr. Churchill; (e) the US urging of a uniform position among the Allies in regard to the Communist China question which will arise in the UN early next year; and (f) his personal discussion with Mr. Eden in regard to Egypt where no progress seems likely because of the increasingly strong anti-Egyptian feeling among Conservatives and Laborites in Britain, and regarding Iran where settlement may soon be forthcoming because of British willingness to compromise on the oil operations consortium.

The President recalled the strong hint from the British that we should not expect greater support from them in regard to China so long as we were not more strongly supporting them in regard to Egypt.

Mr. Dulles commented that the President's UN speech is particularly important in regard to giving us the initiative and that it received an unprecedented favorable reaction among UN delegates.

Postal Rates - Mr. Summerfield reviewed problems connected with the Post Office deficit and measures taken thus far to reduce it. He

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By DHC NLE, Date 7-29-76

indicated that given Cabinet approval he would revive the request to Congress for postal rate increases which are still more necessary because of the probable early increase of charges by the railroads and the strong possibility that Congress may approve pay increases for postal workers. He emphasized the desirability of a long-term solution through establishment of a Commission outside Congress for determining specific postal rates on the basis of a general formula to be set by Congress. He stressed the all-out opposition of the larger magazine publishers which is apparently inspired by Congressional personnel with magazine connections, and also the lack of cooperation of the Senate Post Office Committee with the Postmaster General.

Mr. Summerfield recounted the discussions with representatives of the railroads and indicated that a rise in charges is justified but that the Post Office cannot make any sort of an agreement with them as to the specific amount of increase to be recommended. In regard to pay increases, he felt that some increase is inevitable but that the Post Office Department could not support a major raise which would contribute to a general round of wage increases. Mr. Flemming suggested the possibility of support from the Hoover Commission in regard to the long-term plan for setting postal rates.

It was agreed that this matter would be taken up with the Legislative Leaders.

Housing and Slum Clearance - Mr. Cole characterized the program to be presented as an integrated one, getting away from the traditional piecemeal attack on housing problems. He reviewed the work of the Advisory Commission which underlies his recommendations. He proposed specifically (1) a program of "urban renewal" to tear down slums, rebuild blighted areas where possible, and prevent future blight, all with the help of a broader loan and grant Federal program and FHA insured private lending; (2) more extensive housing for low income families through extensive FHA 100% long-term loans and some low rent public housing to meet transitional requirements. Both (1) and (2) would be applied only after local governments themselves attack their problems. Other proposals were (3) streamlining FHA procedures; (4) a sound mortgage market involving tentative plans for a statutory board to determine FHA and VA interest rates, and also a non-government financed corporation to replace FNMA in the secondary mortgage market; (5) reorganization of FHA to eliminate operating responsibilities of the Administrator and consolidate in five constituent agencies many of the existing scattered and unrelated programs; (6) an inter-agency agreement under the Economy Act whereby the VA would contract to use FHA for technical functions, thus eliminating unnecessary duplication of activities. Mr. Cole indicated that the veterans organizations feel this sixth proposal should depend on having their support.

In the subsequent discussion the President emphasized the need for some arrangement to provide for maintenance of low cost houses so they should not soon become a slum problem, and Mr. Cole noted various suggestions for preventing deterioration. Mr. Cole commented that the program would involve little additional cost since nearly sufficient money was now authorized and could be diverted to this program; also that the impact of the program would depend upon initiation of activity by localities. The President asserted his strong support for this intelligent, well-rounded program benefiting the entire country, and his feeling that it should not, within limits, be blocked by budgetary goals.

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By SHC NLE, Date 7-29-76

He expressed the feeling that in a field like this the Federal Government must be active in order to get the job done but that the Federal program must be intelligent. He commented that when the Federal Government is drawn into such an activity it must be watched "with jaundiced eye and a good microscope". Mr. Humphrey commented that this program revealed very constructive thinking by the Housing Advisory Committee.

With the understanding that further coordination is necessary for items concerning (a) quantity of public housing, (b) procedure for determining interest rates, and (c) the secondary mortgage market, the housing program presented by Mr. Cole was approved in general.

Cabinet Procedure - Governor Adams commented that these program presentations and ensuing discussions would serve as guides for the White House staff in preparing the Legislative Leadership Conference agenda and the State of the Union message, and that the staff would assume Cabinet approval unless Cabinet discussion indicated the contrary. The President added a reservation that Cabinet members must have a reasonable opportunity of two or three days in which to review details of these programs and make further comment, but that in the absence of further comment by that time the White House would assume Cabinet approval existed.

Unemployment Insurance - The Secretary of Labor and his Assistant Secretary for Employment of Manpower, Honorable Rocco C. Siciliano, made a graphic presentation of this program and its objectives which include (1) protecting workers against distress from unemployment, (2) maintaining purchasing power of the unemployed, (3) facilitating reemployment, (4) spreading the cost among industry, and (5) building up reserve funds in good times for use in bad times.

The program consisted of recommended actions through Federal legislation for extending coverage to 6.6 million of the 15.6 million workers now unprotected; providing an earlier reduction in the tax rate of new employers; and earmarking the Federal tax for the establishment of a loan fund to help protect State reserves in addition to present uses. The program also included recommendations for State action to extend coverage to State and local government employees, to increase benefits in line with the increased cost of living, and to increase the number of weeks for which benefits are to be paid in those States which now lag behind.

In the ensuing discussion emphasis was placed on the dangerous position of many State reserve funds and the possibility that the actions to be recommended to the States would aggravate those conditions. Consequently it was agreed that the matter of making recommendations to the States would be reviewed for the possibility of an alternative informal "guidance presentation" by the Department of Labor to the States. Cabinet queries concerning the dangers of seasonal employment were answered by Mr. Siciliano in terms of the many protective measures in the State regulations. Governor Adams commented that expanded programs in the States would probably require Federal action for relief to the State reserve funds in addition to the proposed earmarking of the tax funds. Mr. Weeks took exception to the proposal for extending covering to small firms and suggested that a gradual approach to the change be made, and Mr. Brownell suggested continuance of the current trend of this change on a State-by-State basis. Secretary Mitchell indicated that he was not strong-minded on this proposal.

Mr. Flemming commented that adoption of this program would allow increased Federal supervision and control of administrative

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By DWC NLE, Date 7-29-76

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procedure in the States.

American Purchases Abroad - Secretary Wilson threw open for Cabinet discussion the matter of awarding contracts for the purchase of two generators for the McNary Dam. He indicated that the British bid was about 20% under the next low bid (from GE) even after import duties were accounted for, but that the Army Engineers had given their traditional recommendation for the American firm. He reviewed previous Cabinet discussions on this subject and indicated his intention to accept the British bid if the Cabinet agreed.

The President spoke on the need for considering the many factors which go to determining what is best for America. Secretary Humphrey indicated that a case could be built which would necessarily lack firm statistical support but would indicate that tax losses to the Government would be greater than the savings involved by purchasing from the British, but that he would recommend nevertheless purchase from the British.

Mr. Stassen noted that the American electrical industry still exports more generators than the US imports.

It was agreed that the British generators should be purchased.

Cabinet Schedule - Governor Adams announced that Cabinet would meet on the coming Friday and the following Tuesday, and he outlined the tentative agenda.

Security Investigations - The President commented to Mr. Brownell that he had sent him a message from Ambassador Lodge on the need for more investigators in order to expedite the security checks on UN employees. Mr. Brownell stated he would include something on that in his forthcoming Cabinet presentation, and Chairman Young outlined the recent steps by the Civil Service Commission to assign additional personnel to the job.

LAM
Minnich

Distribution:
- Mrs. Whitman
- Mr. Rabb
- Mr. Minnich

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

December 9, 1953

PERSONAL AND CONFIDENTIAL

Dear Governor Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet meeting:

In connection with presentation of programs for the coming year, it was agreed that Cabinet approval would be tentative pending an opportunity for individual members to examine the proposals and offer further comment. Two or three days was considered to be reasonable opportunity.

Postal Rates - It was agreed that the Postmaster General's program concerning postal rates should be discussed with the Legislative Leaders with a view to necessary legislative action.

Housing and Slum Clearance - With the understanding that further coordination is necessary for items concerning (a) quantity of public housing, (b) procedure for determining interest rates, and (c) the secondary mortgage market, the housing program presented by Mr. Cole was approved in general.

Unemployment Insurance - The general approach of the Secretary of Labor in regard to unemployment insurance was approved, but further consideration will be given to certain phases of coverage and to the items dependent upon action by the States.

American Purchases Abroad - It was agreed that in view of the savings to be achieved the Secretary of Defense should award to the British the contract for supplying generators No. 13 and No. 14 for McNary Dam.

Cabinet Schedule - Cabinet will meet at 10:00 am Friday, December 11th, and again at 10:00 am on Tuesday, December 15th.

Sincerely,

Maxwell M. Rabb

Maxwell M. Rabb
Cabinet Secretary

Honorable Harold E. Stassen
Director
Foreign Operations Administration

Gov [illegible] — 12/9 @ 10:00

Noted WMR.

Ed - Notified BEL

WMR

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THE WHITE HOUSE
WASHINGTON

December 4, 1953

PERSONAL AND CONFIDENTIAL

Dear Governor Stassen:

As you will recall, the Cabinet on November 20th took note of the need for additional meetings to discuss important legislative matters prior to the conference with the Legislative Leaders beginning December 17th.

A special meeting of the Cabinet has now been scheduled for Wednesday, December 9th, at 10:00 A.M. The usual Friday meeting will take place on December 11th at 10:00 A.M., and another special meeting is tentatively scheduled for Tuesday, December 15th. There will be no Cabinet meeting on Friday, December 18th.

Tentatively on the agenda at present for the December 9th meeting are discussions of (a) the labor program, and (b) Civil Service legislation.

The Eisenhower Library

Sincerely,

Maxwell M. Rabb

Maxwell M. Rabb
Cabinet Secretary

Honorable Harold E. Stassen
Director
Foreign Operations Administration

12/7 ✓

GS:

Put in the (cabinet) file you
have for this - inactive
now -

U. S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

December 8, 1953

MEMORANDUM TO THE HONORABLE MAXWELL M. RABB

I would appreciate your including the attached on the Agenda for Cabinet in the very near future.

Will you kindly see that each person attending Cabinet has a copy of this memorandum in front of him during the meeting.

James P. Mitchell

Attachment

Labor Department
Subject for Agenda
Cabinet Meeting, Wed., Dec. 9

SUGGESTION: that action be taken to reduce the high cost of claims under the Federal Employees' Compensation Program which cost the Federal Government the sum of $37,932,520 for the fiscal year ending June 30, 1953.

FACTS: (A) the Accident Frequency rate for the various departments of Government is indicated in the following table showing such rates and rate ranges for several Executive Departments of the Government for the Calendar Year 1952:

Executive Depts. U. S. Govt.	Accident Freq. Rate	Accident Freq. Rate Range	
		Low	High
Interior	14.1	8.7	32.8
Post Office	12.8	2.1	58.2
Agriculture	9.0	.7	18.8
Defense	6.3	1.1	17.0
Commerce	5.7	2.2	54.0
Treasury	5.5	2.5	28.3
Justice	4.3	2.7	8.2
Health, Edu. & Wel.	3.5	1.0	7.7
Labor	2.4	- -	- -
State	2.2	- -	- -

Accident Frequency Rates for certain manufacturing industries are as follows:

Elec. Equip.(Vehicles)	4.7
Radio Tubes	4.5
Elec. Lamp Bulbs	3.9
Rubber Footwear	3.8
Aircraft Mfgr.	3.7
Explosives	3.4
Synthetic Rubber	3.3
Misc. Comm. Equip.	3.2
Synthetic Fibres	1.6

The average Accident Frequency Rate for the nine manufacturing industries shown above is 3.06, while the average for the ten Executive Departments is 6.14. The Accident Frequency Rate for all Federal establishments is 8.0.

(B) It is a cardinal business principle that the cost of compensation for on-the-job injuries is a direct personnel cost which like all such costs, must be controlled by, and should be chargeable to the operating division employing the injured persons.

CONCLUSIONS: (1) the Accident Frequency Rate of governmental departments is too high and should be reduced;
(2) the present system of providing a general fund from which the Department of Labor pays all compensation claims carries no inducement to the various governmental departments to reduce the cost of the compensation program by means of effecting safety programs in each department.

RECOMMENDATION:

that legislation be passed whereby each government department will be required to bear the full cost, from such department's own appropriations, of compensation claims resulting from accidents to its own employees.

Appendix

Accidents Among Federal Employees

EXTENSION OF REMARKS
OF
HON. H. ALEXANDER SMITH
OF NEW JERSEY
IN THE SENATE OF THE UNITED STATES
Tuesday, January 12, 1954

Mr. SMITH of New Jersey. Mr. President, on Sunday, January 3, 1954, the Boston Globe carried a very interesting article by John Harris, commenting on the first-class job our colleague, the senior Senator from Massachusetts [Mr. SALTONSTALL], has been doing in connection with the study he has been making of the waste of life and limb that has been occurring for years among Federal employees. The article is a very comprehensive one, and not too long; so I ask unanimous consent that it may be published in full in the Appendix of the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

ACCIDENTS COST TREASURY $130 MILLION A YEAR

(By John Harris)

WASHINGTON, November 28.—Senator LEVERETT SALTONSTALL, after 9 months of intense study, has come up with what he considers the answer to a shocking waste of life and limb that has been going on for years among Federal employees.

The Senator has found that—

On the average, each week sees 5 Government workers killed and 1,750 injured.

The annual direct and indirect loss to the Federal Treasury is $130 million, a loss that the Senator believes can be cut as much as 75 percent.

Government work is actually more dangerous than employment in many an industry that is regarded as hazardous.

The reason:

Your Uncle Sam does not have now—and has not had for years—a genuine safety program against occupational accidents.

Said the Senator:

"The more deeply I have gone into this the more I am appalled by the lack of any real safety program backed by full-time expert study and experience. This has brought about needless waste and needless suffering to workers and their families."

The Senator's main answer:

Establishment of a Federal Safety Council with a full-time Director and trained staff. He is now drafting legislation that would accomplish this. The cost is estimated at $150,000, or roughly what Secretary of Interior McKay informed the Senator was the cost of 1 fatality in 1952.

The Senator's plan has received the encouragement of the White House, the indorsement of Attorney General Brownell, the General Accounting Office, and other Government agencies with which SALTONSTALL has been working to gather facts and effect a solution.

The Senator has also been working on two allied fields of preventable loss to the Government:

1. Fire damage to Government property and

2. Losses to the Government (tort cases) that result from negligent injuries that Government employees cause to other persons or the property of others.

Even statistics in these two fields are hard to come by. Claims under $1,000 are not subject to the jurisdiction of the General Accounting Office. The type and incidence of tort cases are unavailable. The Comptroller General's Office, after a search said "no such data have been or presently are being compiled."

Yet in 1952 the Post Office Department expended $900,000 in tort claims, an indication of the staggering total in these cases for which there is not now a Government-wide set of figures.

One figure available on fire losses is that in the 5-year period, 1947–51, they cost the Government $67 million. That is regarded as unquestionably a minimum figure." Most often estimates are based on original costs rather than replacement figures which could only mean that challenge of the figures would bring a sharp upward revision.

SALTONSTALL began his study in the safety field last spring. His interest was aroused by a careful examination he made of the accident experience reports of the Bureau of Employees' Compensation of the Labor Department. These reports convinced Saltonstall that the Federal Government is lagging seriously in the important field of Federal employees' safety.

The reports showed that in the 5-year period, 1947–51, there were nearly 400,000 Federal employees injured and fatal accidents took the lives of 1,304 Federal workers.

SALTONSTALL started tracking down information in the various agencies of the Government. Among the officials whose assistance he sought was John F. O'Malley, supervising safety engineer of the General Services Administration here. O'Malley is formerly from Nahant, Mass., attended public schools in Manchester, N. H., St. John's Preparatory in Danvers, and Manhattan College, New York.

O'Malley made a study and report at the Senator's request. Then the Senator arranged for O'Malley and the vice president of the National Safety Council, Sidney J. Williams, to go to the White House and confer with Presidential Chief of Staff Sherman Adams.

At that point it was believed that the creation of a workable safety set-up could be achieved through President Eisenhower issuing an amended Executive order. As the study progressed it became apparent that an Executive order would not accomplish fully what the Senator was seeking.

So the Senator arranged conference between the staff of the Senate Armed Services Committee, of which he is chairman, and the Senate Legislative Council. All the time additional data was being gathered. The decision was then reached to propose new legislation to Congress.

What is the present set-up?

Back in 1950 an Executive order established the present Federal Safety Council. It is composed of one representative of each Federal department.

This Council has no director, no technical staff beyond 2 safety engineers and 1 clerk paid by the Department of Labor. In other words just 3 persons directly assigned to protecting 2,500,000 Government workers.

SALTONSTALL was surprised to find that not a single Government union was represented on the Council. He sharply criticized this as a violation of Government preaching that management and labor should get together.

The Senator examined the reasons why the accident rate is greater in the Federal Government than in industry. Here were some he found:

1. Lack of strong backing from top management, meaning that where top executives do not stress accident prevention then it gets but lip service down the line.

2. No Federal agency is charged with any direct accident cost. Deducting these costs from agency appropriations, the Senator believes, would make the agency heads more alert to the necessity of sound accident prevention programs.

3. The majority of supervisors in Government service receive no safety training.

4. The appointing of inexperienced and unqualified safety directors.

5. Inadequate safety training for vehicle operators.

6. Lack of physical examinations prior to employment on hazardous jobs.

7. Lack of safety indoctrination for new employees.

8. Lack of safety and fire inspections of buildings, work operations, etc.

9. Lack of analyzing accidents for causes and types in order to guide personnel in the prevention of similar accidents.

The most frequent causes of accidents are presently classified as handling material or equipment, falls of persons, striking against material, vehicles, flying particles, hand tools. Handling material or equipment is responsible for 1 out of every 3 accidents.

Curiously the 1950–51 statistics (last available) show a heavier loss in this category in the Postoffice Department than in the Army, Navy, or Air Departments.

Some Government agencies have made excellent safety records, among them the Navy yards, Atomic Energy Commission, Government Printing Office, the Treasury.

SALTONSTALL noted, "The majority of Government workers are engaged in office work, certainly not a hazardous occupation.

"Yet the accident frequency of the glass, aircraft, chemical, rubber, and textile industries is better by nearly 2 percent than that of the Federal Government, and their operations involve much greater hazards."

Government executives have nothing to lose by high accident rates. Their budgets are not affected. Leading corporations, on the other hand, have reduced accident frequency in the past 10 years by more than 70 percent. In the past 5 years the Federal Government's accident frequency rate has been reduced only two-tenths of 1 percent.

Industry has set an embarrassing example, as O'Malley reported in a recent survey.

"I am confident," said SALTONSTALL, "that changes will be made where changes are necessary in order to provide the framework for an effort that will benefit thousands of Government workers and save millions of dollars for the Government and taxpayers."

1954

Communist Domination and Infiltration of Labor Organizations

EXTENSION OF REMARKS
OF
HON. JOHN MARSHALL BUTLER
OF MARYLAND
IN THE SENATE OF THE UNITED STATES
Tuesday, January 12, 1954

Mr. BUTLER of Maryland. Mr. President, it has been my great privilege, during the recent recess, to conduct legislative hearings on the question of Communist domination and infiltration of labor organizations, as chairman of an internal-security subcommittee task force. While these hearings have not as yet been concluded, I have been impressed by the depth and complexity of this problem, and, therefore, I ask unanimous consent that two magazine editorials be printed in the Appendix of the Record.

There being no objection, the editorials were ordered to be printed in the Record, as follows:

[From Time magazine of December 21, 1953]

Red Unions—How To Clean House

"We * * * must resort to all sorts of stratagems, artifices, illegal methods, to evasions and subterfuges * * * to get into the trade unions, to remain in them, and to carry on Communist work within them at all costs."

So wrote Lenin, and Communists obediently burrowed deep into United States labor unions in the thirties. Since then, the AFL has cleaned house; by 1950, 11 Communist-run unions had been thrown out of the CIO. But Communist labor bosses, despite exposure of their Red ties by congressional committees, have managed to keep control of 7 independent unions and of scattered locals within the CIO and AFL. Altogether, these little Politburos still control some 500,000 members, or about 3 percent of all union members, some of them in the nerve centers of United States industry.

The largest Red-run union, the United Electrical, Radio and Machine Workers of America (UE), has contracts with hundreds of plants, including such giants as Westinghouse and General Electric, and has about 100,000 members. More than a third of the workers in plants of International Harvester, which makes Garand rifles and Army trucks, are members of the Communist-bossed Farm Equipment-United Electrical Workers. The Red-dyed Mine, Mill and Smelter Workers Union has a strong hold on United States production of defense metals, from copper to uranium. Party liners are in control of the American Communications Association, bargaining agent for 5,000 Western Union employees in New York, and Communist Harry Bridges' 75,000 International Longshoremen's and Warehousemen's Union could tie up west coast and Hawaiian ports.

Few of the members of these Red-run unions are Communists themselves; only the bosses are. Why then do loyal American workers keep them in power? The chief reason is that rank and filers really believe that their leaders deliver the goods. Attacks on their loyalty are brushed off as union-busting propaganda.

Why do employers recognize a union if they know that it is Communist controlled? Labor leaders have charged that some employers play ball with Communists in jurisdictional disputes to keep their workers divided, and General Electric once publicly stated that "we do not [have a] preference" between a Communist union and a non-Communist one. But the big reason why Communist labor leaders stay in power is that, under the law, employers must treat Red-run unions exactly as they would any other. Employers can fire workers for Communist activity, as General Electric announced last week that it intends to do, but such a policy does not touch the Red labor leaders.

The Taft-Hartley Act attempted to break Communist control of unions by requiring officers of labor unions to sign non-Communist affidavits before their unions could be certified as bargaining agents. This section in the law has been a flop. Officers of Communist-run unions have simply resigned formally from the party, signed an affidavit, then continued their Red activities as before. Nevertheless, the NLRB has been ordered by the courts to take the affidavits at face value and to certify the unions.

Two bills have been introduced into the Senate to enable the NLRB to decertify Red-dominated unions as bargaining agents. Under both bills, if the Subversive Activities Control Board decided a union was Communist-dominated the NLRB would withdraw its certification. But Board action against Reds in the past has proved to be a cumbersome procedure.

Moreover the CIO is against any such law for fear it might some day be abused and be used to decertify almost any union.

The Justice Department is also considering (1) putting the names of Communist-run unions on the Attorney General's list of subversive organizations and barring companies with defense contracts from employing anyone who belongs to them, and (2) broadening the Government's personnel security program to cover workers in defense plants. But both procedures would penalize union members, most of whom are not Communists, but not touch their leaders.

The best and simplest way to strip Communist labor bosses of their power would be to empower the NLRB to look behind their affidavits and to withhold or revoke certification of their unions. The NLRB could also be empowered to determine to its own satisfaction whether a union's nominal officers are its actual leaders, decertify it if the officers are only front men for Communists. The great virtue of this method is that it would limit the issue to the real truth or falsity of a union leader's affidavit. All workers would have to do to get back their union's bargaining privileges would be to elect new officers who are not Communists or Communist tools.

[From the Saturday Evening Post of November 7, 1953]

Are Our Unions Free of Pro-Red Leaders?

Last April, Senator John Marshall Butler, of Maryland, introduced a bill amending the Internal Security Act of 1950 in such a way as to change the means by which Communist-dominated unions are supposed to be denied the right to collective bargaining and other privileges conferred by our labor laws. At present the Taft-Hartley law requires the officers of labor unions to file with the National Labor Relations Board affidavits stating that they are not members of the Communist Party or affiliated with any organization advocating the overthrow of the United States Government by force. Senator Butler would shift the duty of determining whether or not a union is Communist-dominated from the NLRB to the Subversive Activities Control Board, which was created under the Internal Security Act.

Recent events certainly suggest that some change in the law is necessary if the purpose of the Taft-Hartley law to exclude Communists from holding official positions in labor unions, or from dominating the unions from some less conspicuous position, is to be anything more than a dead letter. In the United States court of appeals at the present moment is the case of the National Labor Relations Board, in the person of its former Chairman, Paul M. Herzog, against the United Electrical Workers Union, the American Communications Association, and the International Fur and Leather Workers Union. The officers of these three unions, complying with the Taft-Hartley law, filed the required affidavits. In November 1952 a Federal grand jury in New York issued a presentment in which it was stated that officers of the above-mentioned unions had refused to affirm before the grand jury the truth of the affidavits which they had filed with the Board. Thereupon the National Labor Relations Board sent to the union officers a questionnaire in which they were asked to reaffirm the truth of their original affidavits stating that they were not members of the Communist Party. The union officers, instead of replying to this not unreasonable request, applied to the United States district court in Washington for an injunction restraining the NLRB from putting such embarrassing questions to them. The court granted the injunction, one of its grounds being that the NLRB lacked statutory authority to go behind the face of an affidavit and conduct investigations as to the facts. This is substantially the position taken by NLRB itself in a number of instances.

Curiously enough, the United Electrical Workers Union has been thrown out of the CIO on the ground that it is Communist-dominated, but, because its officers filed the non-Communist affidavits required by the Taft-Hartley Law, the UEW has been clean as far as the Taft-Hartley law is concerned, and has therefore been able to sign contracts with employers, including the leading manufacturers of electrical equipment. If the district court's opinion should prevail all the way up the judicial ladder, there would seem to be no reason why a union whose officials refused to affirm the truth of their previous sworn statements that they were not Communists could not go right on doing business at the old stand.

In addition to the serious question cast on the truth of affidavits actually signed by union leaders, Senator Butler has pointed out that in some instances labor unions are dominated by Communists who have no official position in the union, but manage to exert a considerable degree of control over its policies. It has also been suspected that some union officials have resigned from the Communist Party for the purpose of signing the affidavit that they were not Communists, but actually retain their subservience to Communist dictation.

Unfortunately, the rank and file of some unions, although few of them have any sympathy with communism, have been persuaded to support the leadership on the ground that the leaders were being persecuted from the outside and that political beliefs should not be held against officials who were doing a good job in furthering the interests of working people. The racketeering activities of certain anti-Communist but corrupt labor unions have also worked to the advantage of left-wing leaders.

Nevertheless the unions have been doing an outstanding job in ridding themselves of subversive elements in their leadership, and it is extraordinary that their efforts should be frequently thwarted on account of defects in the legal machinery intended for the same purpose. Whether the fault is in the law itself or in its administration by NLRB, there is a gap in our security defense which should be closed.

Whether or not the detailed provisions of Senator Butler's amendment are the right answer, it is certainly plain that, if we think it important to keep Communist-dominated unions at a safe distance from sensitive industries, we shall have to improve the means of doing it.

Mr. Rabb

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, December 11, 1953

1. Civil Service legislation. (Chairman, Civil Service Commission)

2. Agricultural program. (The Secretary of Agriculture)

3. Internal security. (The Attorney General)

~~4. Vote for 18 year olds. (Special Counsel to the President)~~

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E.O. 11652, Section 1
By DHC NLE, Date 7-29-76

MINUTES OF CABINET MEETING

December 11, 1953

10:00 A. M. to 12:15 P. M.

The following were present:

President Eisenhower

Hon. Herman Phleger
    (for Secretary Dulles)
Secretary Humphrey
Secretary Wilson
Attorney General Brownell
Postmaster General Summerfield
Secretary McKay
Secretary Benson
    Under Secretary True D. Morse
    Mr. Don Paarlberg
Under Secretary Walter Williams
    (for Secretary Weeks)
Secretary Mitchell
Secretary Hobby
Director Dodge
Mr. Flemming

Hon. William M. Rand
    (for Gov. Stassen)
Chairman Young
    Mr. Joseph Winslow
    Mr. Henry A. DuFlon
Gov. Adams
Gen. Persons
Mr. Rabb
Mr. Shanley
Mr. Morgan
Dr. Hauge
Mr. Gruenther
Gen. Cutler
Mr. Minnich

The President opened the meeting by telling of a story given him about a man named Halloway who had resigned from the CIO and the Political Action Committee during the past Administration to become Director of the GSA office in Kansas City. Despite his expectation of being replaced on January 20th he is still in the job, and the suggestion has been made that Republican failure to remove political stalwarts like this implies that the Administration is on the defensive and thus gives greater confidence to Democratic carry-overs for attacking any delayed effort to replace them. The President felt this man's background was prima facie evidence of the importance of the job and the interpretation that it is "policy making". He stressed that this was a specific case which could be taken care of, as contrasted with the customary vague complaints he receives.

Personnel Legislation - Chairman Young presented a two-part program concerning development of a uniform policy for civilian personnel overseas and concerning several changes designed to facilitate better personnel management within the US. The overseas program results from the President's directive of last spring in connection with Reorganization Plans 7 and 8. This extensive and complicated study is being coordinated with the 14 agencies concerned and will not be completed for another year. However, several proposals can be made now for legislation to standardize within the various overseas categories such things as allowances and differentials, overtime pay, travel and transportation allowances, and leave provisions. The greatest difficulty has to do with relating career foreign service to other personnel groups.

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The personnel management proposals include (1) revision of veterans preference to establish a "rule of five" instead of three in selecting personnel; (2) revision of overtime pay schedules and abolition of CPC schedules to remedy inequities; (3) incentive and reward measures to include longevity pay increases for grades GS 10 and above, consolidated legislation on incentive awards which would establish Presidential honorary and monetary awards, and also consolidate responsibility for these in CSC instead of both Budget and CSC, and unemployment insurance (as presented by the Labor Department) for Federal workers -- in a separate bill if there is any danger that the Labor program will not be approved; (4) an increase of authorized super grades from 400 to 700 to fulfill those departmental requests which CSC has screened and felt justified; (5) repeal of the Whitten Amendment because of the current confusion caused by its many provisions now obsolete and the innumerable administrative directives issued concerning it.

The President queried whether Mr. Young's comment that the cooperativeness of the fourteen agencies in the overseas study meant that uniformity would be obtained by leveling up to the most generous provisions, but he was assured by Mr. Young that the study had not yet reached any specifics.

The President, along with Secretaries Humphrey and Mitchell, seriously questioned the policy of overtime pay for personnel in the upper levels from whom devoted service was expected as normal. Secretary Wilson asserted the necessity for distinguishing between casual overtime and overtime as a regular part of the assignment, particularly to prevent subordinates from receiving higher wages than their supervisors when both worked the same periods. The President agreed with this concept but stressed from his experience with the military the impossibility of top level personnel working on set hours. Mr. Winslow indicated that elimination of overtime might create need for increases of grade for people normally working much overtime. It was agreed that the entire matter would be reviewed and brought back for further Cabinet discussion.

Mr. Dodge questioned why those people blanketed into Civil Service by Executive Order could not similarly be "blanketed out". Mr. Young replied that the authorizing legislation was a one way measure, and Mr. Dodge then stressed the need for informing the public of this. Mr. Mitchell asked whether the Hoover Commission recommendations regarding veterans preference were feasible and whether or not something more could be done in this troublesome area. Mr. Young commented on the extensive opposition to the "category ratings" involved in the Hoover recommendations, and he explained current efforts by the CSC to enlist the support of veterans organizations for reviewing veterans preference legislation now that it has the effect of discriminating against other elements in Government who are now a minority as contrasted with the veterans being in a minority when the Act was adopted.

Mr. Flemming stressed the need for developing a solid Administration position in regard to a general pay increase for Government employees prior to Congressional activity which might develop beyond the possibility of being influenced by the Administration. Mr. Humphrey outlined the catastrophic effects on the Nation's economy of any general raise which would lead to a round robin throughout the Nation. Mr. Flemming recalled the historic tradition of securing a raise for a limited

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group and then extending it to all, and he reminded the Cabinet of Mr. Summerfield's prediction that Congress would pass an increase for postal workers without a dissenting vote. The President commented that this was his first consideration of the problem and he was not ready to voice an opinion. Mr. Summerfield indicated that the Post Office was having a thorough study made and that the entire problem could be approached in consultation with Chairman Young and Secretary Mitchell. Mr. Young stressed the desirability of selective adjustments to remove inequities rather than a general raise. It was agreed that the subject would be placed on the agenda for the Legislative Leadership Conferences.

Agricultural Program - Secretary Benson introduced his presentation of the agricultural program by reviewing charts previously presented to Cabinet on the farm situation, with particular reference to commodity carry-overs, CCC investment in particular commodities, financial obligations of CCC as approaching a ceiling on borrowing authority, accumulative cost of over-all farm programs (approaching $17 billion since 1932 but including such things as soil conservation which was productive), and the comparison of prices received by farmers for items subject to price supports and those which are not. In regard to the last, Secretary Benson interpreted the chart as showing that price supports have not been the cause of the price level maintained in regard to supported commodities, but he admitted that this interpretation was subject to much debate.

Secretary Benson then presented a memorandum (copy attached) giving the detailed proposals for the farm program which, in general, provide for (1) transition to new parity for many commodities at the beginning of 1955 rather than 1956 as now specified by law; (2) adoption at the beginning of 1955 of flexible price supports as specified in the 1948-49 legislation for those commodities kept under rigid supports by the 1950 amendment which expires at the end of 1954; (3) disposal of existing surpluses; (4) greater emphasis on advertising and education; (5) extensive research for new uses; (6) continued control of diverted acreage so long as necessary. These proposals were broken down for each crop in question.

The Secretary indicated that the Advisory Commission had been closely divided as to recommending a flexible support program or a domestic parity system (the two price system). He believed the Administration should recommend the first and outlined the second for possible Congressional consideration as an alternative should Congress be unwilling to accept the first.

The President and Governor Adams stressed the necessity for a skillful presentation of this program by the Department of Agriculture together with whatever support other Cabinet members may be able to give.

The President questioned and Secretary Benson promised review of the timing for changing over to the new parity, for the President's campaign position had been that he would allow the existing law to run its course. The President added that he had of course been thinking only of the support program in that connection but that it appeared

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that the parity change-over might well be considered in the same category. The President commented specifically on the need for delaying this change-over in regard to wheat, since otherwise action by the planters of winter wheat could completely upset the program.

The President commented on many other aspects of the program, emphasizing the undesirability and impracticality of acreage controls in most circumstances, the need for recognizing the effect of changes in regard to one commodity on others, the almost socialistic implications of Government grants for fertilizers instead of concentrating upon permanent improvements, such as irrigation for increasing productivity, and finally the necessity for having a program which would be constructive in solving agricultural problems, for otherwise arguments could be developed for supporting everything and bringing on the "most magnificent bureaucratic program ever seen".

Emphasis was put on the need for preventing leaks on this program particularly, and this led into a discussion of the effect of presenting this material in detail at the Legislative Leadership Conferences. Secretary Benson preferred to make only a general presentation but General Persons indicated that such would not be acceptable to the Legislative Leaders. Secretary Benson recognized that this program must be presented prior to January 3rd in order to head off undesirable Congressional proposals.

A discussion of the financial aspects of the program drew from Secretary Benson the assertion that specific costs could not be determined but that in the long run it would result in reduced costs to the Government. Mr. Dodge expressed concern with the fiscal situation of the CCC. Mr. Humphrey advised that the problem of all crops held by CCC on the basis of funds put out directly by CCC was a thing of the past and that little return could be expected from them; but he viewed very seriously the problem of crops now being held on the basis of credit through private lending institutions, for failure to sell these crops at reasonable prices would constitute a serious new drain on the Government budget. Secretary Benson added that this problem would become more intense should Congress decide to freeze the present CCC holdings and continue rigid supports. The President commented that in such a case Congress must face up to the question of authorizing funds, anticipating a large tax bill, to provide the necessary money.

Internal Security - It was agreed that this item should be held over to the beginning of the next Cabinet meeting.

LAM
Minnich

Distribution:
- Mrs. Whitman
- Mr. Rabb
- Mr. Minnich

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RECOMMENDED FARM PROGRAMS

Presentation
problem whole

I. General Objectives:

1. Move toward withdrawal of government from heavy accumulation of surplus farm products; reduced governmental costs; and less control and regimentation.

2. Set aside necessary governmental stocks of certain commodities as contingency reserves against possible defense needs, drought, flood, and other emergencies. These reserves should be isolated from the market and not considered a part of the normal supply.

3. apply the system of ~~Change from fixed to flexi~~ble ~~support~~ supports price~~s~~ of 1949 law.

4. Reduce the necessity for acreage restrictions and other production controls as quickly as possible.

5. Move from old to new parity for all commodities and provide for continuing modernization of the parity formula to reflect current production practices, costs, and changing needs of farmers and consumers.

6. Work toward elimination of price and production controls on those farm products which are used primarily by other farmers--such as feed grains and seeds.

7. Increase reliance on competitively determined market prices as indicators or guides for the regulating of farm production and consumer purchases.

8. Strive for increased consumption and new uses rather than restricted production when supplies exceed demands.

9. Rely less on commodity support programs and more on research and education to promote better balanced and more efficient over-all operation of individual farms.

10. Give more consideration to the special problems of low-income farmers and farm workers.

II. Specific Proposals

Matters of general application:

Peanuts
Live Feeding

A. The bipartisan approach to farm programs laid down by the 80th Congress in the Agricultural Act of 1948, as amended by the Act of 1949, is being followed in the proposals offered here. Those Acts and these proposals contemplate gradual movement from fixed to flexible price support levels. This idea, endorsed by many study groups and agricultural research institutions throughout the land, has not had a fair chance to function in previous farm programs.

B. Encourage better land use and fertility restoration through agricultural conservation practice payments.

C. Exercise control over crops to be planted on diverted acreage in order to prevent the shifting of supply problems from price-supported to unprotected crops.

D. Cooperate in full with agricultural and industrial advertising and educational programs designed to provide new uses and increased consumption of farm products.

E. Use Section 32 funds to alleviate temporary gluts of perishable commodities by moving supplies through charitable institutions, school lunch programs, disaster relief programs, and other than regular market channels.

Wheat

[illegible]

1. Allow the transition to new parity to become effective January 1, 1955.

2. Provide flexible supports for 1955 and subsequent crops.

3. Continue acreage restrictions until supplies come into better balance with needs.

4. Outline a domestic parity system for Congressional consideration as an alternate plan to flexible supports. Under this system there would be no direct price controls. Returns from wheat sold for food use in the domestic market would be raised to

235-00

Wheat (Cont.)

90 percent of the new parity level by the issuing of certificates. The value of the certificate plus the market price of wheat would equal the desired level of parity. Wheat for other than domestic food purposes would sell at competitive prices. Use of wheat for feed, for industries other than food, and for export might be expected to increase under such a system, and production restrictions would be less necessary than at present.

5. Set aside necessary amounts of government-owned wheat from future carryover considerations, this to be held as a reserve for defense needs, droughts, floods, and other emergencies. Gradually dispose of the balance of government-owned wheat, outside regular market channels, rotating new wheat [illegible] old to prevent spoilage.

Corn

?

1. Allow the transition to new parity to become effective January 1, 1955.

2. Provide flexible supports for 1955 and subsequent crops.

3. Set aside necessary amounts of government-owned corn from future carryover considerations, this to be held as a reserve for droughts, floods, and other emergencies. Gradually dispose of additional government-owned corn, outside regular market channels, rotating new corn for old to prevent spoilage.

Cotton

1. Allow the transition to new parity to become effective January 1, 1955.

2. Provide flexible supports for 1955 and subsequent crops. Note: The alternative to flexible supports, which apparently has better acceptance among Southern interests, is rigid control of production and inflexible support at 90 percent of parity.

3. Continue acreage restrictions until supplies come into better balance with needs.

Different market

4. Set aside necessary amounts of government-owned cotton from future carryover considerations, this to be held as a reserve for defense needs and other emergencies. Gradually dispose of the balance of government-owned cotton in foreign markets at competitive prices.

Dairy Products

1. Acts of 1948-49 satisfactory. The acts authorize support of dairy products at 75 to 90 percent of parity.
2. Reduce support prices for butter and other dairy products below present level of 90 percent of parity on April 1, 1954.
3. Begin a program of orderly movement of government holdings into consumption before spoilage, regardless of loss. Much of these holdings may be moved through school lunch programs, charitable institutions, disaster relief programs, and other than regular market channels.

Beef Cattle

Acts of 1948-49 satisfactory. The acts authorize purchase of beef when desirable.

Other Meat Animals

Acts of 1948-49 satisfactory.

Eggs and Poultry

Acts of 1948-49 satisfactory.

Tobacco

Continue present program.

Sugar

Continue the Sugar Act. In 1951 the present Act was extended by unanimous vote in the House and by a 72 to 4 vote in the Senate.

Rice

Provide flexible supports for 1955 and subsequent crops as provided by the Acts of 1948-49.

Feed Grains other than Corn

Acts of 1948-49 satisfactory.

Oil Seeds

Acts of 1948-49 satisfactory.

Fruits and Vegetables

1. Acts of 1948-49 satisfactory.
2. Marketing agreements. A number of recommendations will be made to improve and expand the use of marketing agreements.

Potatoes

Same as for "Fruits and Vegetables." Legislative action will be needed to make potatoes eligible for price support on the same basis as other fruits and vegetables.

Wool

1. Discontinue the CCC loan program.
2. Let market price find its own level as protected by present tariff. This would mean no governmental holding of wool stocks or other intervention in the market.
3. Make wool payments to producers, bringing their returns up to 90 percent of parity.

Peanuts

1. Allow the transition to new parity to become effective January 1, 1955.
2. Provide flexible supports for 1955 and subsequent crops.
3. Continue acreage restrictions until supplies come into better balance with needs.

Why such base

Tung Nuts and Honey

Discontinue price support programs.

Cooperation with Other Departments

In addition to the above proposals, the Department of Agriculture offers its full support of the programs of other Departments which are beneficial to farm families, both as agricultural producers and as citizens.

Special Problems of Low-Income Agricultural Producers

?

Proposed programs for the current year lean heavily upon price supports, which afford relatively little benefit to those who are classified as farmers but whose sales of farm products are exceedingly low. The special problems of these operators of small farms and of our farm labor force are being studied with a view toward future recommendations.

SUMMARY

Full parity prices and incomes cannot be assured by government programs. They can be achieved only with a steady level of prices, high production and employment, and rising output per worker in our total economy.

The full force of government stands ready to offset the possibility of future severe recession. Recession is not peculiarly a farm problem, and agricultural policy should not be considered as purely a preventive of recession. That would impose permanent controls detrimental to the freedom of farmers and to the national welfare.

THE WHITE HOUSE
WASHINGTON

December 8, 1953
5:45 p.m.

Mr. Rabb -

Roger Jones phoned to say that he talked with Philip Young. He is going to do a quick run-down on the major personnel legislation on which the Commissinn has agreed. Mr. Jones says he thinks it is all right and should go on.

gs

THE WHITE HOUSE
WASHINGTON

MAX:

Perhaps the Governor would want to say a word to remind Cabinet on desirability of "no leaks" in re the legislative program we are shaping up.

The Post this morning carried a pretty thorough story on the Housing program. There is no evidence it leaked from Cabinet, but the reminder may be in order.

Art

THE WHITE HOUSE
WASHINGTON

December 9, 1953

Mr. Rabb -

(For your information)

Per your request, I have notified the offices of the following members of the staff re the "dry run of the Agricultural presentation" tomorrow: (4:00, Cabinet Room)

Mr. Minnich
Roger Jones
Mr. Martin
Mr. Morgan
Gen. Persons
Dr. Hauge
Dr. Burns
Mr. Gruenther
Dr. Jacoby

gs

(Edith Sweeny said Dr. Hauge has an appointment at that time, but she would tell him).

The President

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

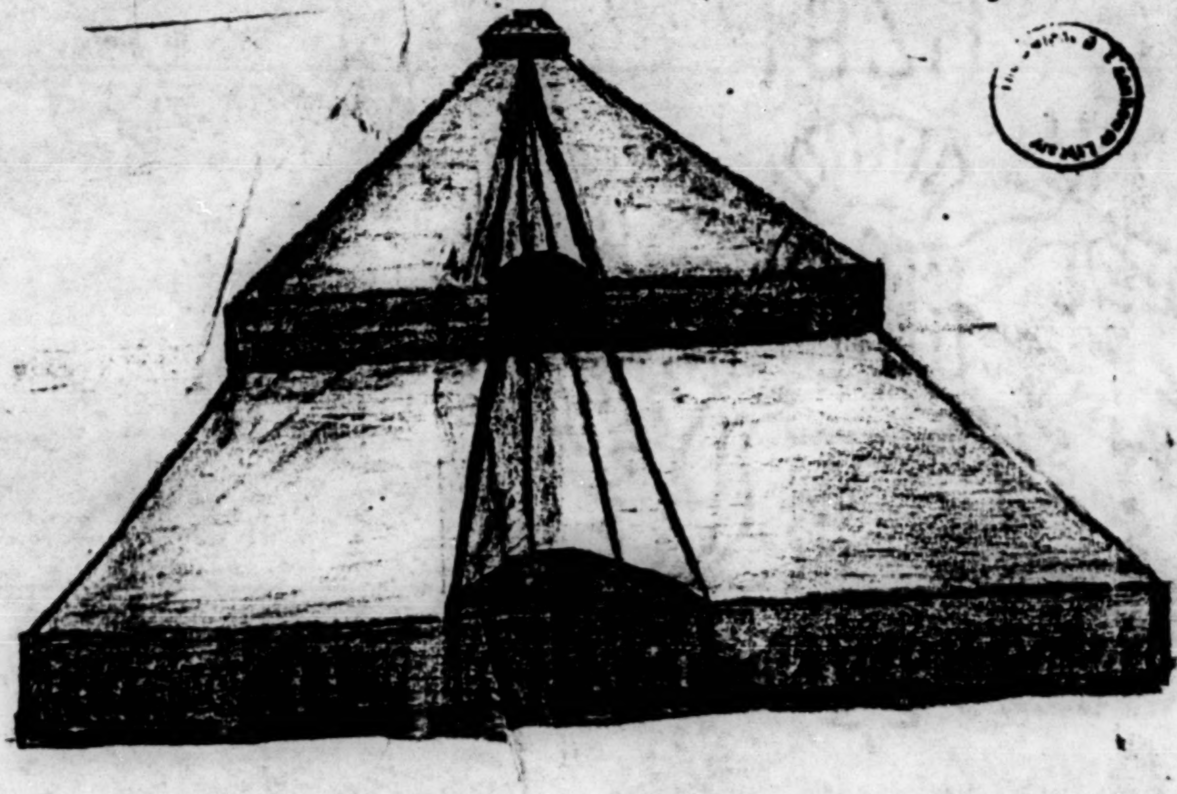
Tuesday, December 15, 1953

1. Internal Security Legislation. (The Attorney General) ✓✓

2. Taft-Hartley Legislation. (The Secretary of Labor) ✓✓

3. Vote for 18-year olds. (Mr. Shanley) ✓✓✓✓✓✓

4. Participation by Cabinet Members in Legislative Leaders Conferences. (General Persons) ✓



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By DHC NLE, Date 7-29-76

MINUTES OF CABINET MEETING

December 15, 1953

10:20 A. M. to 12:15 P. M.

The following were present:

President Eisenhower

Vice President Nixon
Hon. Walter B. Smith
(for Secretary Dulles)
Hon. Marion B. Folsom
(for Secretary Humphrey)
Hon. Roger M. Kyes
(for Secretary Wilson)
Mr. Brownell
Mr. Summerfield
Secretary McKay
Secretary Benson
Secretary Weeks
Secretary Mitchell
Secretary Hobby

Mr. Dodge
Mr. Flemming
Hon. William M. Rand
(For Gov. Stassen)
Chairman Young
Ambassador Lodge

Gov. Adams
Gen. Persons
Mr. Rabb
Mr. Shanley
Mr. Harlow
Mr. Morgan
Gen. Cutler
Dr. Hauge
Mr. Minnich

The President informed the Cabinet that during the United Nations recess Ambassador Lodge would have an office in the Executive Office Building and would be available to assist the President and the Cabinet on special problems, particularly such things as personnel matters, Congressional relations, and public relations.

The President also noted a criticism regarding patronage and positions that remain unfilled.

Internal Security Legislation - The Attorney General reviewed the situation concerning wire taps and pointed to the need for legislation allowing wire tap evidence to be used in court for effective prosecution of disloyal people. He noted that any legislation on this subject would open up discussion which might lead to requiring court permission for initiating wire taps, and he asserted that the Justice Department would prefer no legislation at all rather than such a change. He pointed out, in response to a Presidential query, that the measure would be retroactive since it involved merely a change in rules of evidence rather than substantive matters.

The Attorney General also presented his recommendation for legislation to grant immunity to witnesses who would otherwise claim the Fifth Amendment privilege. This would be used in any grand jury or Congressional Committee hearing at the discretion of the Attorney General. In response

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to the President's question, he indicated his belief that Congress would not resent this power residing with the Attorney General.

The Vice President predicted a great hue and cry from the Liberals, but pointed to Canadian and British success with such procedure simultaneously with their reputation for defense of civil rights. Mr. Brownell commented that Justice Cardoza, known as a great liberal, had favored the procedure. The Vice President also noted the need for lining up public opinion in advance of presentation of this proposed legislation.

The Cabinet approved the "immunity bath" proposal and made no objection to the wire tap proposal except that Congressional and public reaction be explored further.

During the above discussion, the President noted the Official Secrets Act in force in Britain and Canada, suggested the desirability of a similar Act in the United States, but believed that it was not feasible to attempt such legislation in view of the present climate of opinion in this country. Mr. Kyes commented that the public press now feels the Administration can enforce security regulations much more strictly since the scope of those regulations has been narrowed by the recent Executive Order.

The discussion also brought forth from the Attorney General a description of the chaos of records in the Justice Department as of January, 1953, and the subsequent discovery of some 20,000 documents which had never reached the Justice files but which were found in the "clean-up" carried on last summer. These newly discovered reports contain much material which may result in cases being prosecuted.

The Vice President mentioned the Australian proposal for outlawing the Communist Party, thus initiating a discussion of the merits of such action in the United States. General Smith strongly attacked the proposition that outlawry would drive the Communist Party underground since the Party already carries on covertly what it needs so to do. He argued that outlawry would require fellow travelers to take a stand for or against. Mr. Brownell questioned the meaning of the word "outlaw" in terms of what specific action is contemplated. Such actions as deportation, application of alien laws, or removal of privilege of voting and holding office were suggested. The Attorney General noted a case now before the Supreme Court in which it may be decided that members of the Communist Party will have to register with the Subversive Control Board on the grounds that they are under a foreign domination. General Smith agreed that this might have the desired effect of making Communists "marked men". Ambassador Lodge noted in passing the merit of a country considering itself sufficiently strong to allow the existence of the Communist Party.

Labor Legislation - Secretary Mitchell read a draft message prepared for possible transmission of Administration recommendations to Congress on revision of the Taft-Hartley Act. In the discussion the President queried whether the provision for fact-finding boards to make recommendations to the President was consistent with the present effort to remove the White House as much as possible from labor management conflicts. Mr. Mitchell replied that such recommendations would be made only in a national emergency, in which case the White House would inevitably have to act. In response to another query from the President, Mr. Mitchell

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asserted that most of the recommendations were designed to meet objections from the side of labor and that many were approved by both management and labor.

In a discussion of the handling of the message, Ambassador Lodge stated his personal preference to have such things as Taft-Hartley revision, excise tax, and UMT put off to 1955, but if necessary to do something this year the Taft-Hartley revision should be put off as long as possible to avoid debate and deadlock. Following Mr. Mitchell's comment that the question will come up quickly in any event, Mr. Lodge suggested the President's involvement be restricted. Governor Adams and Mr. Mitchell pointed out the action expected of the President by virtue of pledges made in messages to the AFL and CIO Conventions. Mr. Dodge noted that a Presidential message on the subject was desirable as a foundation for his subsequent action in approving or vetoing any bill Congress might pass. The President tended to favor a suggestion that he treat the subject in very general terms in the State of the Union message and that perhaps Secretary Mitchell could carry all the detailed recommendations for the Administration.

In the course of this discussion the President noted his feeling that labor legislation was a matter in which Congress had a special responsibility, and that he would like to get clear in his own mind the extent of his personal responsibility for labor matters as pertaining to the ultimate action he would have to take on a Congressional bill.

Mr. Flemming questioned again the provision for recommendations by the fact-finding board. Mr. Mitchell indicated this was generally supported by labor and to some degree by management, and he commented that the recommendations would come late in the game without any certainty that they would be forthcoming at all, so as to keep the Government's hands free. The President commented on the difficulty of finding any effective standard procedure for the Federal Government in a serious national emergency, and he expressed his belief that the country could not stand a general transport strike. In this connection he recalled Mr. Truman's difficulties in the steel strike.

The Vice President suggested that, pending the approval of the Legislative Leaders, it would seem on balance to be best to proceed with the revision since the proposals had merit and the Administration would be judged in any event by its actions on this issue. The President agreed that the Administration should move forward with such proposals once it was certain of their merit. Mr. Kyes predicted workers would approve these revisions even though labor leaders would not.

The Cabinet approved in principle the substance of the draft, but left open for further discussion the manner of presentation.

Vote for 18-Year Olds - Mr. Shanley presented the proposal for including this recommendation in the legislative program, and he pointed out the success of the experiment in Georgia. He noted the similarity of this recommendation to the Women's Suffrage Amendment except that this measure provided for the vote in national elections only.

The President recalled his own support for such action on the basis that a person old enough to die for the country is old enough to

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vote. He noted also from his experience at Columbia the extensive abilities of young people. Mrs. Hobby noted the higher standards of education at present as compared to her own education. Mr. Flemming commented on the assistance such a measure would give in strengthening education in the social sciences. The Vice President gave his support to the proposal, as did Secretaries McKay and Benson.

Mr. Summerfield suggested that the opinion of political leaders be obtained throughout the States, and it was agreed that he should quietly sound a few of them only in order to protect against leaks.

Legislative Presentations - It was urged that Cabinet members carefully prepare any presentations to be made to Congressional Committees, particularly in regard to personnel making the presentations and coordination with other interested departments so as to avoid conflicting testimony.

Legislative Conference - General Persons distributed letters to the Cabinet members concerning the details of their participation in the forthcoming legislative leadership conference.

The President informed the Cabinet of his feeling that the Administration now faced its real test and that the Legislative Leaders would have to realize that a strong program had to be put through or risk losing any support the Administration could give to Members of Congress. The Cabinet strongly approved.

The President suggested that the entire Cabinet participate in the first hour of the conference; and it was so agreed.

Governor Adams called attention to the progressive nature of the Republican 1952 Platform and suggested it be re-read by all prior to the conference as an inspiration for agreement on the forthcoming program.

Social Security Legislation - Mrs. Hobby reported on her discussions with Representative Curtis and his determination to attempt to put through his own plan. She commented on the fallacy of his argument that his plan would appeal to a greater number of voters, whereas actually his plan would seriously upset some 76 million people who would regard it as a raid on the trust fund.

LAM
Minnich

Distribution:
Mrs. Whitman
Mr. Rabb
Mr. Minnich

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Ladd

THE WHITE HOUSE
WASHINGTON

December 7, 1953.

MEMORANDUM FOR: Mr. Rabb

Subject: Cabinet Agenda, December 15th.

It has been agreed all the way around (Cutler and Robert Ladd for the Vice President) that the Vice President will speak about his trip both at the end of the NSC meeting and at the beginning of the Cabinet meeting on December 15th. His remarks will be tailored for each group and will not overlap.

LAM
Minnich

hold

Mr. Rabb -

Re the attached, Mr. Minnich says that he has informed Mr. Ladd of the Vice President's office.

gs

THE WHITE HOUSE
WASHINGTON

12/9/53

Mr. Rabb:

In re Cabinet Agenda for Dec. 15th, scratch off the item for the Vice President concerning his trip.

This comes from Mr. Butler who talked with the President about it.

Perhaps it will be proper for the VP to report to the Cabinet at a later time after he has had a chance to draw up his formal report.

Art
Minnich

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JOINT CABINET - LEGISLATIVE MEETING

January 4, 1954

8:30 A.M. to 11:00 A.M.

The following were present:

President Eisenhower

Vice President Nixon
Secretary Dulles
Secretary Humphrey
Secretary Wilson
Mr. Brownell
Mr. Summerfield
Secretary McKay
Secretary Benson
Secretary Weeks
Secretary Mitchell
Secretary Hobby
Director Dodge
Mr. Flemming
Governor Stassen
Chairman Young
Ambassador Lodge

Sen. Knowland
Sen. Bridges
Sen. Ferguson
Sen. Saltonstall
Sen. Millikin
Speaker Martin
Rep. Halleck
Rep. Arends
Rep. Leo Allen
Rep. Dan Reed

Gov. Adams
Gen. Persons
Mr. Morgan
Mr. Martin
Mr. Hagerty
Dr. Hauge
Mr. Harlow
Mr. Rabb

This meeting consisted of a reading of the most recent draft of the State of the Union message by the President, and discussion of its contents as the reading progressed and after its completion.

Foreign Policy - Speaker Martin suggested the addition of a sentence which would give heart to the Chinese Nationalists. Senator Saltonstall was interested in determining that proposed aid for Indo China did not imply use of American troops, and he was so assured. Rep. Halleck hoped for stress on the need for European nations to help themselves in order to qualify for American assistance.

Agriculture - Sen. Saltonstall suggested specific wording to indicate that agricultural surpluses would not be destroyed. Rep. Halleck noted that application of flexible supports would be gradual.

Conservation - Sen. Millikin was concerned that the generalizations on this subject would arouse unfounded fears in various localities. In response to the President's comments on the Cherry Creek Dam at Denver as unnecessary, he replied that the subject was of course highly debatable but that he believed it one of the best projects ever accomplished and one that could not have been effected without Federal aid. The President

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repeated his reservations about Government action without local recognition of responsibilities and participation in such projects.

Social Security, etc. - Sen. Millikin took exception to characterizing governmental welfare activities as an "obligation" and suggested treating the subject in terms of it being the Government's "interest" to do so, thus avoiding opening up broad philosophical disputes. The President recognized the merit of the suggestion in philosophical terms, but insisted that in practical terms there was no question of the need for governmental activity in this field.

School Aid - Sens. Saltonstall and Millikin suggested revised terminology to avoid any unnecessary raising of controversy as concerns public and private schools.

Housing - Sens. Millikin and Ferguson pointed to the difficulty experienced by Negroes in obtaining housing loans. Gov. Adams indicated that Mr. Cole was alert to the problem and would attempt to deal with it in the special message on housing.

District of Columbia Suffrage - The President pointed to the possibility that this proposal might eventually lead to agitation for establishing in the District legislative institutions which would make it similar to a State. Sen. Knowland called attention to the electoral problem involved in granting national suffrage, but the President noted his understanding that such details would have to be worked out later.

Taxes - Secretary Weeks and Rep. Reed strongly urged revision of the sentences concerning excise taxes on the basis that the treatment would create deep disappointment in the country since it would seem to foreclose elimination of the heavy excises established during World War II. Rep. Reed also emphasized that premature discussion could disrupt sections of the Nation's economy. Mr. Dodge and Secretary Humphrey emphasized the need for maintaining excise revenues at present levels and the necessity for discussion in the Budget Message. Rep. Reed believed excise reductions would serve to offset signs of a recession. It was agreed that the language should be somewhat less specific though retaining the principle of no reduction of total excise revenue, and that the interested parties should work out acceptable language following the meeting.

Highways - Secretary Weeks urged that the message not commit the Administration to an expensive highway program which could not be put into effect until 1956 or 1957, and that the message be limited to recommending continuation of the gasoline tax pending the report of the Manion Commission. The President stressed the need for preventing further deterioration of highways, including Federal assistance on secondary roads. Sen. Ferguson opposed returning responsibilities to the States on the belief that the States would not fulfill them, particularly at a time when the automobile industry required activity in this field.

Timing and Presentation of Messages - It was agreed that the Budget Message should be delivered on January 21, the Economic Report

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on January 28, and the special messages on agriculture and Taft-Hartley revision on January 11.

The Vice President urged that Members of Congress be given advance briefings on these messages so that they could be prepared to speak on them immediately following their receipt, and that particularly in regard to agriculture there is need for the Department to supply material to Members of Congress. The President called attention to the complaint of many younger Members of Congress that they are not sufficiently informed on policy matters. Speaker Martin and Rep. Halleck noted some of the problems in this respect and pointed to corrective measures under way.

Sen. Saltonstall argued at length that the President should put the full force of his influence behind the special messages of labor and agricultural matters to the extent of delivering them in person. As an alternative, he suggested that the President appear on television almost simultaneously with the delivery of the messages. Members of the Cabinet, the President, the Vice President, Rep. Halleck, Sen. Knowland and Secretary Wilson believed the President's influence should not be dissipated by too frequent appearances. Rep. Halleck felt that Taft-Hartley revision could be accomplished without great trouble provided the Administration did not attempt to make a tremendous issue out of it. The President stressed his feeling that his personal prestige was of value for only one thing, namely, achievement of the Administration program, and there should be no concern in protecting it for any other purpose. A suggestion that the President deliver the State of the Union Message at night so as to have a large radio and television audience was generally disapproved by the Legislative Leaders as a break with tradition and harmful to Congressional prestige.

Bipartisan Legislative Conference - The President outlined his plans for the next day's bipartisan conference. He stressed his feeling that foreign policy and defense matters ought to be free from partisanship and thus that the minority leaders should know in advance the general content of the State of the Union Message and have an opportunity for suggesting changes.

Minnich

Distribution:
Mrs. Whitman
Mr. Rabb
Mr. Minnich

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The President

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, January 15, 1954

1. The President's Economic Report. (Dr. Burns)

2. Security Program.
   - a. Definition of Security Risk, and How to Report. (Chairman, Civil Service Commission)
   - b. Public Relations of the Administration with Respect to the Employees Security Board. (Mr. Hagerty)
   - c. Completion of the Employees Security Program as Rapidly as Possible. (Chairman, Civil Service Commission)
3. Remarks Relative to Handling of Congressional Mail by Executive Departments. (The President)
4. Personnel Problems and Patronage. (The President)
5. Status of Present Legislative Program. (General Persons)
6. Coordination of Public Addresses. (Governor Adams)

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MINUTES OF CABINET MEETING

January 15, 1954

10:00 A. M. to 12:45 P. M.

The following were present:

President Eisenhower

Vice President Nixon
Secretary Dulles
Secretary Humphrey
Secretary Wilson
Mr. Brownell
Hon. Charles R. Hook, Jr.
   (for Mr. Summerfield)
Hon. Ralph A. Tudor
   (for Secretary McKay)
Secretary Benson
Secretary Weeks
Secretary Mitchell
Secretary Hobby
Director of the Budget Dodge
Hon. Wm. M. Rand
   (for Gov. Stassen
Mr. Flemming
Chairman Young
Ambassador Lodge

Dr. Arthur Burns, CEA
Mr. Neil H. Jacoby, CEA
Mr. Walter Stewart, CEA

Gov. Adams
Gen. Persons
Mr. Hagerty
Mr. C. D. Jackson
Gen. Cutler
Dr. Hauge
Mr. Rabb
Mr. Minnich

Economic Report - Dr. Burns indicated the advance coordination which had been carried on in preparation for the report, and stated that he wished to present to the Cabinet only the general character of the report, the essentials of the program proposed, and the basic statement of philosophy expressed in the final chapter. He commented that Cabinet judgment was necessary as to whether the final statement was sound and if so whether it should be publicized.

In the discussion which followed the presentation, the President suggested the need for machinery to carry through coordination on all major actions that might affect the national economy. Dr. Burns indicated that much was being done in this respect and that the situation was constantly improving. Secretary Humphrey believed the most practical way to handle the matter should remain that of frequent and continuing discussion among top officials, as at present.

Secretary Humphrey suggested that the final part of the proposed report was too specific in that the actual circumstances of any recession or depression cannot be known until it occurs. He also felt that the existing emphasis fostered the inference that the Government had not been engaged in such activity up to this point. Secretary Wilson expressed agreement

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with the substance of the report but felt it a poor political document since many parts of it, taken out of context, would be detrimental to the Administration. Secretary Humphrey emphasized that prosperity was more dependent upon the confidence of all the people than on any particular governmental actions, other than the removal of obstacles to initiative. In reply, the President commented on his desire to avoid false expressions of confidence as in 1929 and to refrain from suggesting that the Government is unable to act positively to strengthen the economy.

Secretary Dulles emphasized the need for creating confidence by making clear that the Administration knows where it is and where it is headed. The Attorney General felt that the final pages did not truly reflect the entire document and that revision would be necessary to remove this mistaken emphasis. The Vice President emphasized the desirability of a brief summary of the report lending itself to use by the press.

The Cabinet approved in substance the statement of policy read by Dr. Burns from the Economic Report, and the Vice President was requested to consult with the Council of Economic Advisers in regard to various aspects of presentation of the report.

Employee Security Program - Chairman Young pointed to the need for clarification of policy regarding (a) definition of security risk, (b) extent of publicity on categories, and (c) requirements for more rapid action.

In connection with (a), Mr. Young emphasized his doubt as to including in the security risk compilations those persons appointed pending investigation whose services later are terminated as a result of the investigation. Secretary Wilson urged no appointments be made prior to investigation. In connection with the category of persons separated by means other than security risk procedure, but where adverse information existed, Mr. Flemming suggested the individual should be informed of the situation and given an opportunity to prepare a memorandum for his personnel file setting forth his explanation of the situation.

In connection with (b), Mr. Hagerty pointed to the possible desirability of releasing the number of investigations completed and filed without other action. He felt also that a breakdown of security risk separations by departments should be given, but that a breakdown on categories should not be released. Mrs. Hobby preferred not to have publicity releases by each department, and Director Dodge preferred no publicity on breakdowns by departments.

It was agreed that (a) and (b) should be reviewed after the first report of the CSC to the NSC becomes available.

In further discussion Secretary Dulles emphasized the confusion created by lack of clear understanding as to the nature of the security risk and cited cases forwarded to him for decision as a result of containing such items as a case of drunkenness, membership in the World Federalists, and a pacifist in the family. The Attorney General and the President commented that presentation of such cases as these to the Secretary for decision would seem to indicate the need for a new Security Officer. Secretary Dulles thereupon commented upon the tendency of Security Officers to protect

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themselves by passing the buck to others for decision, and that some one had to take the responsibility for overruling overly security-conscious officers.

Secretary Dulles also commented on the difficulty in treating violations of security as a result of the new information security order which prevents his department from classifying considerable material deserving of classification. (See below)

In regard to (c), Mr. Young set up as a desirable time schedule the completion of investigation of domestic employees by June 30, 1954, evaluation of the reports by September 30th, and adjudication of the most difficult cases by December 31st. He stated that only the Departments of State and Army claim difficulty in meeting this schedule, and that the Army has sufficient resources to speed up. He noted that the classification of all positions in State as "sensitive" left some six thousand cases for handling, requiring two more years at the present rate.

He suggested that arrangements be made for the CSC to take over the clearance of State's domestic personnel on a reimbursement basis so as to achieve the suggested timing. The security personnel in State released by this change would then be free to concentrate on overseas investigations.

The President and Secretary Humphrey questioned the need for classifying all positions as "sensitive". Mr. Young suggested that State might follow the Defense Department policy of differentiating in positions to allow different degrees of investigations. He pointed out that the cost to State for having six thousand CSC investigations would approximate $2 million.

The President emphasized his desire to have this program cleared up as quickly as possible and his willingness to personally ask the Appropriations Committees for sufficient funds to do so. Mr. Young and Secretary Dulles both preferred that money be sought from other sources than Congress, and Secretary Dulles expressed confidence that State would succeed in meeting the June 30th deadline. The Vice President and Ambassador Lodge foresaw no difficulty in securing funds from Congress.

The Vice President felt the USIA handling of the security program should be reviewed because of the very small number of cases reported as opposed to the large numbers of personnel in it.

Security of Information - In reply to Secretary Dulles' complaint concerning the handicap placed on the State Department by the new order, the Attorney General cited a paragraph in the order which would justify departmental classification of material other than that pertaining to defense. Secretary Dulles previously had protested that he could not use the essential terms "secret" and "confidential" since they seemed to be reserved by the order for a specific type of material.

The President asserted the necessity for keeping many types of material secret even though they did not fit the security order specifications, and he referred to market forecasts by the Department of Agriculture as an example.

The Attorney General promised to confer with Secretary Dulles to straighten out the matter.

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E.O. 11652, Section 1
By DHC NLE, Date 1-21-77

Butter Export License - Secretary Weeks requested Cabinet advice on the handling of the license requested from Commerce for export of butter to Russia. Secretary Dulles noted the meeting of the sub-Cabinet committee presently under way. The President made reference to "net advantage", yet indicated he would not sell at a loss. Mr. Rand suggested the possible desirability of exchanging butter for manganese or other strategic materials, but Mr. Flemming cited the need for considering desirable stockpile levels and impact on the domestic market.

Mr. Hagerty warned of the adverse public opinion to result from any sale of butter to Russia at a price below that paid by American housewives. Secretary Humphrey suggested the application be rejected without explanation, Mr. Dodge believed the butter should not be sold below the domestic price, but Secretary Wilson suggested that decision be deferred until after the Berlin Conference.

The Vice President interpreted the consensus as advice to Secretary Weeks to turn down the application.

Mr. Weeks later reopened the discussion by citing an NSC paper on trade policy and indicated that the decision on butter ran counter to this paper. He suggested the need for NSC review of the policy. Mr. Humphrey agreed. Secretaries Dulles and Wilson and the Vice President believed the butter license a matter for Cabinet consideration because of the peculiar ramifications and one which did not properly belong in NSC.

Governor Adams commented that no public statement ought be made until the outcome of the sub-Cabinet meeting could be determined.

(The President left the meeting shortly after this discussion began.)

Handling of Congressional Mail - Governor Adams called attention to the complaints of several Congressmen and suggested that attention be given to improving the handling of correspondence and telephone calls from Members of Congress.

Coordination of Public Addresses - After making clear that the responsibility for public statements rests with each individual, Governor Adams proffered the services of the Cabinet Secretary to assist in securing appropriate review of any proposed statements which cut across the general framework of the Administration. He made clear that this could not apply where a department head speaks on matters of policy strictly within the province of his department. He emphasized the need for sufficient advance notice.

Preparation of Cabinet Agenda - Governor Adams read a memorandum (copy attached) requesting notification to the Cabinet Secretary whenever need is foreseen for developing policy on major items of potential concern to the Cabinet.

LAM
MINNICH

Distribution:
Mrs. Whitman
Mr. Rabb
Minnich

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

January 11, 1954

MEMORANDUM FOR: MR. MAX RABB

Governor Adams today directed that the matter of handling of Congressmen's mail, received by officers of the Executive Branch, be placed on the agenda for the next Cabinet Meeting.

Murray S.
Murray Snyder

CC: Ilene Slater
for information

THE WHITE HOUSE
WASHINGTON

January 12, 1954

Personal & Confidential

MEMORANDUM FOR: Mr. Rabb

SUBJECT: Cabinet Agenda January 15th.

At the Legislative Conference on Monday the President indicated that he wanted to take up again at Cabinet on Friday matters concerning personnel and relations with Congress. This resulted from a discussion of such things as a complaint that some of the replies sent to Congressmen from the departments were almost disrespectful and indicated perhaps an effort to do some throat-cutting of this Administration.

The President stated specifically that he wanted to see any such letters, for he would not tolerate them.

The standard discussion and criticisms of personnel problems and patronage again took place. The President indicated he would urge the Cabinet again to cooperate with Congress on these matters -- maintaining of course a due respect for the law and a decent standard of ethics. In this connection it was emphasized that three departments have not yet appointed their personnel contacts -- Agriculture, Defense and State. (It is of course Len Hall's job at this point to work this out but the President may help it along by making a specific reference to the three.)

A related item which the President may wish to discuss concerns the appointment of personnel to the "super grade" positions. He thought these positions of such importance and responsibility that greater care should be taken in obtaining clearances for what are in many respects policy making positions.

Art
Minnich

Personal & Confidential

SUGGESTED NOTES ON SCHEDULING AND PREPARATION OF CABINET AGENDA

The Cabinet operations office has developed sufficiently that we can move ahead to utilize it in making easier and more effective our discussions here in Cabinet.

Should like to suggest that whenever Cabinet members and their principal assistants foresee the need for developing definitive policy on major items of potential concern to the Cabinet, they notify Mr. Rabb of the problem and recommend the beginning of work to develop an appropriate study and set of recommendations. This will allow arrangements to be made both for appropriate staff work and for scheduling of the item on the Cabinet agenda at the most convenient date.

It is similarly suggested that notification be given Mr. Rabb on those matters which are determined solely within one department but are considered by the department head to be of sufficient interest to be brought before the Cabinet. Appropriate scheduling can then be accomplished.

PERSONAL AND CONFIDENTIAL

MR. RABB — Please destroy when no longer used

NOTES ON CABINET MEETING
January 15, 1954

The Economic Report - The Cabinet approved in substance the statement of policy read by Dr. Burns from the Economic Report, and the Vice President was requested to consult with the Council of Economic Advisers in regard to various aspects of presentation of the report.

a Amb c Lodge (on the copies to those two)

Employee Security Program - The nature of any announcement to be made on this program will be considered again after the first semiannual report of the CSC to the NSC is complete.

In order to accomplish at the earliest possible date the security clearance of all currently employed personnel, it was agreed that necessary measures will be taken to insure completion of investigations by June 30th.

Butter Export License - It was the concensus of the Cabinet that the license for which application is pending in the Commerce Department should not be granted.

Coordination of Public Statements - Any public statements by Administration officials which in their opinion bear on Presidential policy or cut across the general framework of the Administration will be coordinated through the Cabinet Secretary's office with the appropriate persons in the Executive Office.

Preparation of Items for Cabinet Discussion - In order that the appropriate staff work may be initiated and the scheduling for Cabinet agenda accomplished, the Cabinet Secretary should be notified well in advance in regard to any matters of potential interest to the Cabinet.

Cabinet Schedule - The next Cabinet meeting will be held Wednesday, January 20th, at 9:00 A.M.

- - -

COPIES TO:
Mr. Hagerty
Mr. Shanley
Gen. Cutler
Mr. Morgan
Mr. Jackson
Dr. Hauge
Mr. Harlow
Gen. Carroll
Mr. Rabb

PERSONAL AND CONFIDENTIAL

GOVERNOR ADAMS

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, January 15, 1954

1. The President's Economic Report. (Dr. Burns)

2. Security Program.

    a. Definition of Security Risk, and How to Report. (Chairman, Civil Service Commission)

    b. Public Relations of the Administration with Respect to the Employees Security Board. (Mr. Hagerty)

    c. Completion of the Employees Security Program as Rapidly as Possible. (Chairman, Civil Service Commission)

Follow up

3. Remarks Relative to Handling of Congressional Mail by Executive Departments. (The President)

Priority & courtesy

4. Personnel Problems and Patronage. (The President)

5. Status of Present Legislative Program. (General Persons)

6. Coordination of Public Addresses. (Governor Adams)

1. Policy statements — dept heads
2. Presidential messages supporting
3. Speeches

We will be respon — for Pres say
you " . what you say.

TENTATIVE AGENDA FOR CABINET MEETING

JANUARY 15, 1954

1. The President's Economic Report. (Dr. Arthur Burns)

   This will be a preview of the Economic Report which is to be issued on January 28. It will be helpful to the members of the Cabinet to have a chance to check on this Report and to be acquainted with its basic ideas.

2. Security Program. (Chairman, Civil Service Commission)

   a. Definition of security risk, and how to report. This involves a basis for reporting a security risk. It is important to determine this matter as the NSC will receive the data relative to the security program on January 15. Consequently, this is the time for any readjustments that must be made.

   b. Public relations on security program. This will reopen the question of what we plan to make public. For example, are we going to give a breakdown by Departments.

   c. Plan to clean up incumbent program. We need a top-side decision to settle this.

   The development of this entire subject in order to have it ready for Cabinet consideration has been in the hands of a sub-committee composed of the following: Chairman Young, Rogers of Justice, Lourie and McLeod of State, Hughes of Budget, Shanley, Hagerty and Rabb.

3. Remarks Relative to Handling of Congressional Mail Received by Executive Departments. (The President)

   This item developed at the Legislative Conference on Monday, when the President indicated that the subject should be discussed in Cabinet meeting because Congressmen have complained of discourteous treatment by government departments.

4. Personnel Problems and Patronage. (The President)

This item also developed as a result of the Leaders Conference on Monday, at which time the President indicated he would urge the Cabinet to cooperate with Congress on these matters, maintaining, of course, a due respect of the law and a decent standard of ethics. In this connection it was emphasized that two Departments (Defense and State) have not yet appointed their personnel contacts. It is, of course, Len Hall's job to work this out, but the President may help it along by making a specific reference to the two.

5. Coordination of Public Addresses. (Governor Adams)

A discussion of a means of clearing controversial portions of radio, television and platform speeches by Cabinet officials.

6. Status of Present Legislative Program. (General Persons)

Information to help Cabinet members coordinate their efforts regarding the legislative program.

Cabinet

THE WHITE HOUSE
WASHINGTON

December 22, 1953

MEMO TO: Max Rabb

FROM: Governor Adams

Please put on the Cabinet agenda for a week from Monday or Tuesday, the following topic:

Public relations with reference to speeches of Cabinet members.

cc: Arthur Minnich

January 14, 1954

MEMORANDUM FOR: Mr. Rabb

I am sending you another clipping from the Times about the application of an exporter for a license to ship food surpluses to Russia or its satellites.

I urge that the question be given a priority position on Friday's calendar and that some statement of policy be agreed on for the following reasons:

1. We are commencing to receive critical telegrams, even though there has been no indication that the Administration will act favorably on the application. As in the case of the flood of McCarthy telegrams in December, the White House will be inundated if someone with a good forum asserts that we contemplate approving such trade and asks for telegrams to the President in opposition.

2. The issue has become more than one of whether non-strategic materials should be sold to Iron Curtain countries; this clipping points out that the Soviet is bidding for sale of surplus foods at prices below those paid for the food by the U. S. Government, thus opening us to the charge of subsidizing Communist purchases. Moreover, the approval of sale of our food surpluses to Communist countries would undermine present trade of Western nations with those countries in the same products -- Denmark, Holland, etc. Approval of such sale of our foodstuffs to the East thus has in it the seeds of serious domestic discord and friction with our allies.

Library

If it is considered unwise to make a hasty policy statement at this time, the correct effect could be obtained merely by announcing a negative decision on the application of the particular company currently seeking a license for these food exports. Jim Hagerty could announce this as an Administration decision without the necessity for outlining any general policy in the matter.

Murray Snyder

Murray Snyder

THE WHITE HOUSE
WASHINGTON

Jim

Oscar Naumann (Journal of Commerce) said the President was going to be asked about the fact that the Assistant Secretary of Agriculture has said that quantities of cottonseed oil and butter will be sent to Russia.

Mary

No asst Secy ever said that

Andres - Honeymede Co.

Exporter — pushing it Minn

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had to get supplies [illegible] Agric

Cy. said contingent on
lower price than we
sell to allies

Agric: Big question
of Int. policy.

Treaty tomorrow

Asst Secy Anderson.
Commerce

Employ
Council

Commerce
Anderson
Gil Humphrey
S

U. S. BUTTER, OIL SOUGHT BY SOVIET

Applications Filed for Export of Surplus Stocks Valued Up to $150,000,000

By DANA ADA[illegible]S SCHM[illegible]T

Special to The Ne[illegible]ork Times.

WASHINGTON, [illegible] —The Commerce Department has received two applications for licenses to export large quantities of surplus butter and cottonseed oil to the Soviet Union and one of its satellites.

This is the first time the Soviet Union has attempted to buy consumer goods in the United States on a large scale. However, it has been buying butter and other fats, fish, meat and a variety of other consumer goods in Europe, Australia and New Zealand since last summer.

The quantities the Soviet Union is seeking in the United States were reliably reported tonight to be about 150,000,000 pounds of butter and 150,000,000 pounds of cottonseed oil. Estimates of the total amount of money involved ranged from $100,000,000 to $150,000,000.

Largest Sale of Surplus

This would be the largest sale yet made of agricultural commodities bought by the Government as surplus goods. The cost to the United States of cottonseed oil is about 15 cents a pound, and of butter about 67 cents a pound. But large-scale exports are frequently made at lower prices.

Quantities mentioned in earlier reports of the proposed deal were considerably exaggerated, Commerce Department officials said. They explained the export license applications would be considered by the Advisory Committee on Export Policy, which is composed of the deputies of a number of Cabinet members under the chairmanship of Samuel W. Anderson, Assistant Secretary for International Affairs.

Final decision on the applications is likely to be left to the Cabinet, and possibly to President Eisenhower himself, the officials believed.

Most of the butter and cottonseed oil would be exported to the Soviet Union, leaving only relatively small quantities for the undesignated satellite country.

The license applicant was described as representing an American export concern. But, according to one source, the American applicant was acting as agent for a concern in a European country which intends to re-export the fats to the Iron Curtain countries.

On grounds of trade secrecy the Commerce Department declined to disclose the identity of the applicant or the precise terms of the application until it had been approved.

If approved, the exports would

Continued on Page 6, Column 4

U. S. BUTTER, OIL SOUGHT BY SOVIET

Continued From Page 1

greatly reduce United States surpluses which now stand at 250,000,000 pounds of butter and 825,000,000 pounds of cottonseed oil, according to the Department of Agriculture. Much of the butter, stored in many parts of the United States, is ten months or more old and is beginning to deteriorate.

State Department officials pointed out that there was no legislation prohibiting the export of nonstrategic items such as butter and cottonseed oil to the Soviet bloc, except in the case of Communist China. In the case of China, the United States maintains a complete embargo on trade.

The large quantities involved, however, make it necessary to study the application from the points of view of economic defense policy and of general defense policy, the officials explained.

Legislation regulating the sales of surpluses by the Commodity Credit Corporation require that they should not interfere with the flow of normal trade. The export of fats to the Soviet Union would fulfill this general requirement since there has been no trade of that kind in the past.

It was learned that the Commerce Department issued licences for two sales of consumer goods to satellite countries during the second half of 1958. One of the sales was of tallow.

British to Visit Soviet

Special to The New York Times.

LONDON, Jan. 12 — Thirty British business men who had been trying for several months to obtain Soviet permission to visit Moscow on a trading mission announced today that approval had been obtained.

Their spokesman said the Soviet trade representative in Britain had told them approval had been granted for a visit to Moscow this month for discussions with the All-Union Chamber of Commerce in that city. Their trip is not sponsored by the Government but has its blessing.

NEW YORK TIMES, THURSDAY, JANUARY 14

SOVIET IS SEEKING MACHINERY IN U. S.

Continued From Page 1

to pay 50 cents a pound for butter when the world market price is less. The Soviet Union could buy some butter cheaper in the Netherlands but belief was expressed that the amount available at the lower price elsewhere would be smaller than the 150,000,000 pounds reportedly desired from this country.

These sources believe the Soviet Government is seeking to create an atmosphere here that would both facilitate other future purchases, such as the types of machinery mentioned by Mr. MacDuffie, and tend to ease present United States-Soviet political tensions.

The Soviet Union, it was pointed out, is well aware that the accumulation of large stocks of surplus farm products bought by the United States Government to support farm prices is a matter of great concern both to government officials and to farm and trade groups. The trade groups fear the prospect that these supplies will eventually be dumped on the market with serious depressing effects on prices, it was said.

In his message to Congress on farm policy earlier this week, President Eisenhower indicated he would push exports of surplus farm commodities.

Early U. S. Decision Hinted

WASHINGTON, Jan. 13—An early Administration policy decision on the sale of surplus agricultural commodities to the Soviet Union and its satellites was indicated today. The decision, together with a broader ruling covering the subject of East-West trade, was under discussion by top policy makers.

Meanwhile the Federal agencies concerned were processing the application of an American exporter to purchase Government-owned surplus butter and cottonseed oil for resale to the Soviet Union and a satellite. The satellite country was reported to be Poland.

Asked about the proposed deal at his news conference today, President Eisenhower said that the whole subject of trade with Communist countries was under study by his Administration.

The exporter, Dwayne O. Andreas, Minnesota soy bean oil dealer, bid a reported 46 cents a pound for upwards of 40,000,000 pounds of the surplus butter stocks held by the Commodity Credit Corporation and 12½ cents a pound for about 14,000,000 pounds of cottonseed oil.

The departments of State, Commerce and agriculture were concerned over the effects the proposed sale might have on the normal trade of such friendly countries as Denmark. One official declared:

"We must decide whether the proposal to market surplus butter will disrupt Denmark's sales to the Soviet bloc and some other nation's sale of linseed oil to the Soviet countries. If the answer is in the affirmative, it would be foolish for this country to permit her surpluses to be used to hamper a friendly nation's trade. The chances are that if we did we would have to send more aid funds to Denmark to try and repair the damage done."

Another question troubling officials is the possibility that if this country's butter and other agricultural surpluses are permitted to be sold abroad at less than the Commodity Credit Corporation paid for them, the American taxpayer would be put in the position of subsidizing the sale of nonstrategic materials to the Soviet bloc.

One of the key issues that must be determined before export licenses for such shipments are granted, these sources said, is that of price. The government paid 67 cents a pound for butter in an effort to drain supplies from the market and keep market prices high. The Soviet-inspired offer, it is understood, is about 50 cents a pound, a quotation that, some officials fear, would, if accepted, leave the Administration open to charges of subsidizing the Soviet purchases.

In the past, exports of such surplus products at prices below those paid by the Government have been common. However, these exports have not been to the Soviet Union.

Efforts to consummate large-scale Soviet purchases of such surplus United States farm products began almost two years ago at the time of the Soviet-sponsored world Economic Conference when, it is reported, United States business man was invited to Moscow in the hope of making such a deal.

Informed sources said that aside from the economic implications of the propsed butter and cottonseed purchases, there were undoubtedly Soviet political objectives. This, they believe, is one reason for the Soviet willingness

Continued on Page 5, Column 4

DID you know your Kaiser dealer is offering some of the best trades in town?—Advt.

SOVIET IS SEEKING MACHINERY IN U. S.

Substantial Amounts Needed to Make Consumer Goods, Import Chief Indicates

By HARRY SCHWARTZ

A recent visitor to the Soviet Union said yesterday that the Russians wished to buy from the United States substantial quantities of machinery for food and consumer goods production. He is Marshall MacDuffie, New York lawyer, who toured Russia for two months.

Mr. MacDuffie said his information had come from V. A. Klentsov, Vice President of Tekhnopromimport, the largest importing subsidiary of the Soviet Ministry of Foreign Trade. The two conferred several weeks ago in Moscow.

Mr. Klentsov indicated the Soviet Union was interested particularly in agricultural machinery, as well as machinery for food processing, leather and shoe manufacture, chemicals, and automobile production. He added that the Soviet Union was prepared to pay for such imports in dollars, pounds, or rupees.

Similar willingness to make purchases here, Mr. MacDuffie said, was indicated to him by Nikita S. Khrushchev, First Secretary of the Communist party of the Soviet Union. Mr. Khrushchev apparently is the second or third most important official in the Soviet Union today.

Bid Believed Conditioned

Informed sources in Washington expressed the view that Soviet willingness to buy such consumer goods and food machinery might depend on the success of present efforts to purchase large quantities of butter and cottonseed oil for export to the Soviet Union. The commodities involved are held by the United States Government through purchase of surplus stocks.

FOR RELEASE IN THE AFTERNOON PAPERS OF FRIDAY, NOVEMBER 6, 1953

JAMES C. HAGERTY, PRESS SECRETARY TO THE PRESIDENT

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THE WHITE HOUSE

The President today signed an Executive order, which will become effective on December 15th, entitled "Safeguarding Official Information In The Interests Of The Defense Of The United States." This order revokes Executive Order No. 10290 of September 24, 1951. By severely limiting the authority to classify, by eliminating one of the old categories of classified material which is particularly subject to abuse ("Restricted"), and by providing for a continuing review of classified information for downgrading and declassification, the order will make it possible for our citizens to know more of what their government is doing. By more clearly defining the official information which is subject to classification, and by making the requirements of the defense interests of the United States the test as to whether, and how, information may be classified under the order, the danger of misuse of the order to hamper freedom of information, so vital to preservation of our form of government, is minimized.

The order abolishes the authority of twenty-eight agencies to place official information or material under defense classification, and limits such authority of seventeen other agencies by restricting it to the heads of such agencies without power to delegate.

The following Government agencies shall be subject to the provision of the order eliminating classification authority:

1. American Battle Monuments Commission
2. Arlington Memorial Amphitheater Commission
3. Commission of Fine Arts
4. Committee on Purchases of Blind-Made Products
5. Committee for Reciprocity Information
6. Commodity Exchange Commission
7. Export-Import Bank of Washington
8. Federal Deposit Insurance Corporation
9. Federal Mediation and Conciliation Service
10. Federal Reserve System
11. Federal Trade Commission
12. Housing and Home Finance Agency
13. Indian Claims Commission
14. Interstate Commerce Commission
15. Missouri Basin Survey Commission
16. National Capital Housing Authority
17. National Capital Park and Planning Commission
18. National Forest Reservation Commission
19. National Labor Relations Board
20. National Mediation Board
21. Railroad Retirement Board
22. Securities and Exchange Commission
23. Selective Service System
24. Smithsonian Institution
25. United States Tariff Commission
26. Veterans Administration
27. Veterans Education Appeals Board
28. War Claims Commission

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The following agencies shall be subject to the provision limiting classification authority to the head of an agency only:

1. Civil Aeronautics Board
2. Defense Transport Administration
3. Department of Agriculture
4. Department of Health, Education, and Welfare
5. Department of Interior
6. Department of Labor
7. Federal Communications Commission
8. Federal Power Commission
9. National Science Foundation
10. National Security Training Commission
11. Panama Canal Company
12. Post Office Department
13. Reconstruction Finance Corporation
14. Renegotiation Board
15. Small Business Administration
16. Subversive Activities Control Board
17. Tennessee Valley Authority

A comparison of the order with an earlier proposed draft published on June 17, 1953, will disclose a number of revisions. These have been adopted at the suggestion of various departments and agencies in the executive branch, representatives of the Press, and private individuals and organizations. Throughout the lengthy consideration of this order it has been the purpose to attain in it the proper balance between the need to protect information important to the defense of the United States and the need for citizens of this democracy to know what their government is doing. The issuance of this order will revise in a manner more in keeping with the American tradition of freedom of information existing requirements for the safeguarding of defense information.

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EXECUTIVE ORDER

#10501

SAFEGUARDING OFFICIAL INFORMATION IN THE INTERESTS OF THE DEFENSE OF THE UNITED STATES

WHEREAS it is essential that the citizens of the United States be informed concerning the activities of their government; and

WHEREAS the interests of national defense require the preservation of the ability of the United States to protect and defend itself against all hostile or destructive action by covert or overt means, including espionage as well as military action; and

WHEREAS it is essential that certain official information affecting the national defense be protected uniformly against unauthorized disclosure:

NOW, THEREFORE, by virtue of the authority vested in me by the Constitution and statutes, and as President of the United States, and deeming such action necessary in the best interests of the national security, it is hereby ordered as follows:

Section 1. Classification Categories: Official information which requires protection in the interests of national defense shall be limited to three categories of classification, which in descending order of importance shall carry one of the following designations: Top Secret, Secret, or Confidential. No other designation shall be used to classify defense information, including military information, as requiring protection in the interests of national defense, except as expressly provided by statute. These categories are defined as follows:

(a) Top Secret: Except as may be expressly provided by statute, the use of the classification Top Secret shall be authorized, by appropriate authority, only for defense information or material which requires the highest degree of protection. The Top Secret classification shall be applied only to that information or material the defense aspect of which is paramount, and the unauthorized disclosure of which could result in exceptionally grave damage to the Nation such as leading to a definite break in diplomatic relations affecting the defense of the United States, an armed attack against the United States or its allies, a war, or the compromise of military or defense plans, or intelligence operations, or scientific or technological developments vital to the national defense.

(b) Secret: Except as may be expressly provided by statute, the use of the classification Secret shall be authorized, by appropriate authority, only for defense information or material the unauthorized disclosure of which could result in serious damage to the Nation, such as by jeopardizing the international relations of the United States, endangering the effectiveness of a program or policy of vital importance to the national defense, or compromising important military or defense plans, scientific or technological developments important to national defense, or information revealing important intelligence operations.

(c) Confidential: Except as may be expressly provided by statute, the use of the classification Confidential shall be authorized, by appropriate authority, only for defense information or material the unauthorized disclosure of which could be prejudicial to the defense interests of the nation.

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Section 2. Limitation of Authority to Classify: The authority to classify defense information or material under this order shall be limited in the departments and agencies of the executive branch as hereinafter specified. Departments and agencies subject to the specified limitations shall be designated by the President:

(a) In those departments and agencies having no direct responsibility for national defense there shall be no authority for original classification of information or material under this order.

(b) In those departments and agencies having partial but not primary responsibility for matters pertaining to national defense the authority for original classification of information or material under this order shall be exercised only by the head of the department or agency, without delegation.

(c) In those departments and agencies not affected by the provisions of subsection (a) and (b), above, the authority for original classification of information or material under this order shall be exercised only by responsible officers or employees, who shall be specifically designated for this purpose. Heads of such departments and agencies shall limit the delegation of authority to classify as severely as is consistent with the orderly and expeditious transaction of Government business.

Section 3. Classification: Persons designated to have authority for original classification of information or material which requires protection in the interests of national defense under this order shall be held responsible for its proper classification in accordance with the definitions of the three categories in section 1, hereof. Unnecessary classification and over-classification shall be scrupulously avoided. The following special rules shall be observed in classification of defense information or material:

(a) Documents in General: Documents shall be classified according to their own content and not necessarily according to their relationship to other documents. References to classified material which do not reveal classified defense information shall not be classified.

(b) Physically Connected Documents: The classification of a file or group of physically connected documents shall be at least as high as that of the most highly classified document therein. Documents separated from the file or group shall be handled in accordance with their individual defense classification.

(c) Multiple Classification: A document, product, or substance shall bear a classification at least as high as that of its highest classified component. The document, product, or substance shall bear only one over-all classification, notwithstanding that pages, paragraphs, sections, or components thereof bear different classifications.

(d) Transmittal Letters: A letter transmitting defense information shall be classified at least as high as its highest classified enclosure.

(e) Information Originated by a Foreign Government or Organization: Defense information of a classified nature furnished to the United States by a foreign government or international organization shall be assigned a classification which will assure a degree of protection equivalent to or greater than that required by the government or international organization which furnished the information.

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Section 4. Declassification, Downgrading, or Upgrading: Heads of departments or agencies originating classified material shall designate persons to be responsible for continuing review of such classified material for the purpose of declassifying or downgrading it whenever national defense considerations permit, and for receiving requests for such review from all sources. Formal procedures shall be established to provide specific means for prompt review of classified material and its declassification or downgrading in order to preserve the effectiveness and integrity of the classification system and to eliminate accumulation of classified material which no longer requires protection in the defense interest. The following special rules shall be observed with respect to changes of classification of defense material:

(a) Automatic Changes: To the fullest extend practicable, the classifying authority shall indicate on the material (except telegrams) at the time of original classification that after a specified event or date, or upon removal of classified enclosures, the material will be downgraded or declassified.

(b) Non-Automatic Changes: The persons designated to receive requests for review of classified material may downgrade or declassify such material when circumstances no longer warrant its retention in its original classification provided the consent of the appropriate classifying authority has been obtained. The downgrading or declassification of extracts from or paraphrases of classified documents shall also require the consent of the appropriate classifying authority unless the agency making such extracts knows positively that they warrant a classification lower than that of the document from which extracted, or that they are not classified.

(c) Material Officially Transferred: In the case of material transferred by or pursuant to statute or Executive order from one department or agency to another for the latter's use and as part of its official files or property, as distinguished from transfers merely for purposes of storage, the receiving department or agency shall be deemed to be the classifying authority for all purposes under this order, including declassification and downgrading.

(d) Material Not Officially Transferred: When any department or agency has in its possession any classified material which has become five years old, and it appears (1) that such material originated in an agency which has since become defunct and whose files and other property have not been officially transferred to another department or agency within the meaning of subsection (c), above, or (2) that it is impossible for the possessing department or agency to identify the originating agency, and (3) a review of the material indicates that it should be downgraded or declassified, the said possessing department or agency shall have power to declassify or downgrade such material. If it appears probable that another department or agency may have a substantial interest in whether the classification of any particular information should be maintained, the possessing department or agency shall not exercise the power conferred upon it by this subsection, except with the consent of the other department or agency, until thirty days after it has notified such other department or agency of the nature of the material and of its intention to declassify or downgrade the same. During such thirty-day period the other department or agency may, if it so desires, express its objections to declassifying or downgrading the particular material, but the power to make the ultimate decision shall reside in the possessing department or agency.

(e) Classified Telegrams: Such telegrams shall not be referred to, extracted from, paraphrased, downgraded, declassified, or disseminated, except in accordance with special regulations issued by the head of the originating department or agency. Classified telegrams transmitted over cryptographic systems shall be handled in accordance with the regulations of the transmitting department or agency.

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(f) Downgrading: If the recipient of classified material believes that it has been classified too highly, he may make a request to the reviewing official who may downgrade or declassify the material after obtaining the consent of the appropriate classifying authority.

(g) Upgrading: If the recipient of unclassified material believes that it should be classified, or if the recipient of classified material believes that its classification is not sufficiently protective, it shall be safeguarded in accordance with the classification deemed appropriate and a request made to the reviewing official, who may classify the material or upgrade the classification after obtaining the consent of the appropriate classifying authority.

(h) Notification of Change in Classification: The reviewing official taking action to declassify, downgrade, or upgrade classified material shall notify all addressees to whom the material was originally transmitted.

Section 5. Marking of Classified Material: After a determination of the proper defense classification to be assigned has been made in accordance with the provisions of this order, the classified material shall be marked as follows:

(a) Bound Documents: The assigned defense classification on bound documents, such as books or pamphlets, the pages of which are permanently and securely fastened together, shall be conspicuously marked or stamped on the outside of the front cover, on the title page, on the first page, on the back page and on the outside of the back cover. In each case the markings shall be applied to the top and bottom of the page or cover.

(b) Unbound Documents: The assigned defense classification on unbound documents, such as letters, memoranda, reports, telegrams, and other similar documents, the pages of which are not permanently and securely fastened together, shall be conspicuously marked or stamped at the top and bottom of each page, in such manner that the marking will be clearly visible when the pages are clipped or stapled together.

(c) Charts, Maps, and Drawings: Classified charts, maps, and drawings shall carry the defense classification marking under the legend, title block, or scale in such manner that it will be reproduced on all copies made therefrom. Such classification shall also be marked at the top and bottom in each instance.

(d) Photographs, Films and Recordings: Classified photographs, films, and recordings, and their containers, shall be conspicuously and appropriately marked with the assigned defense classification.

(e) Products or Substances: The assigned defense classification shall be conspicuously marked on classified products or substances, if possible, and on their containers, if possible, or, if the article or container cannot be marked, written notification of such classification shall be furnished to recipients of such products or substances.

(f) Reproductions: All copies or reproductions of classified material shall be appropriately marked or stamped in the same manner as the original thereof.

(g) Unclassified Material: Normally, unclassified material shall not be marked or stamped Unclassified unless it is essential to convey to a recipient of such material that it has been examined specifically with a view to imposing a defense classification and has been determined not to require such classification.

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(h) Change or Removal of Classification: Whenever classified material is declassified, downgraded, or upgraded, the material shall be marked or stamped in a prominent place to reflect the change in classification, the authority for the action, the date of action, and the identity of the person or unit taking the action. In addition, the old classification marking shall be cancelled and the new classification (if any) substituted therefor. Automatic change in classification shall be indicated by the appropriate classifying authority through marking or stamping in a prominent place to reflect information specified in subsection 4 (a) hereof.

(i) Material Furnished Persons not in the Executive Branch of the Government: When classified material affecting the national defense is furnished authorized persons, in or out of Federal service, other than those in the executive branch, the following notation, in addition to the assigned classification marking, shall whenever practicable be place on the material, on its container, or on the written notification of its assigned classification:

> "This material contains information affecting the national defense of the United States within the meaning of the espionage laws, Title 18, U.S.C., Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law."

Use of alternative marking concerning "Restricted Data" as defined by the Atomic Energy Act is authorized when appropriate.

Section 6. Custody and Safekeeping: The possession or use of classified defense information or material shall be limited to locations where facilities for secure storage or protection thereof are available by means of which unauthorized persons are prevented from gaining access theret Whenever such information or material is not under the personal supervision of its custodian, whether during or outside of working hours, the following physical or mechanical means shall be taken to protect it:

(a) Storage of Top Secret Material: Top Secret defense material shall be protected in storage by the most secure facilities possible. Normally it will be stored in a safe or safe-type steel file container having a three-position, dial-type, combination lock, and being of such weight, size, construction, or installation as to minimize the possibility of surreptitious entry, physical theft, damage by fire, or tampering. The head of a department or agency may approve other storage facilities for this material which offer comparable or better protection, such as an alarmed area, a vault, a secure vault-type room, or an area under close surveillance of an armed guard.

Library

(b) Secret and Confidential Material: These categories of defense material may be stored in a manner authorized for Top Secret material, or in metal file cabinets equipped with steel lockbar and an approved three combination dial-type padlock from which the manufacturer's identification numbers have been obliterated, or in comparably secure facilities approved by the head of the department or agency.

(c) Other Classified Material: Heads of departments and agencies shall prescribe such protective facilities as may be necessary in their departments or agencies for material originating under statutory provisions requiring protection of certain information.

(d) Changes of Lock Combinations: Combinations on locks of safekeeping equipment shall be changed, only by persons having appropriate security clearance, whenever such equipment is placed in use after procurement from the manufacturer or other sources, whenever a person knowing the combination is transferred from the office to which the equipment is assigned, or whenever the combination has been subjected to compromise, and at least once every year. Knowledge of combinations shall be limited to the minimum number of persons necessary for operating purposes. Records of combinations shall be classified no lower than the highest category of classified defense material authorized for storage in the safekeeping equipment concerned.

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(e) Custodian's Responsibilities: Custodians of classified defense material shall be responsible for providing the best possible protection and accountability for such material at all times and particularly for securely locking classified material in approved safekeeping equipment whenever it is not in use or under direct supervision of authorized employees. Custodians shall follow procedures which insure that unauthorized persons do not gain access to classified defense information or material by sight or sound, and classified information shall not be discussed with or in the presence of unauthorized persons.

(f) Telephone Conversations: Defense information classified in the three categories under the provisions of this order shall not be revealed in telephone conversations, except as may be authorized under section 8 hereof with respect to the transmission of Secret and Confidential material over certain military communications circuits.

(g) Loss or Subjection to Compromise: Any person in the executive branch who has knowledge of the loss or possible subjection to compromise of classified defense information shall promptly report the circumstances to a designated official of his agency, and the latter shall take appropriate action forthwith, including advice to the originating department or agency.

Section 7. Accountability and Dissemination: Knowledge or possession of classified defense information shall be permitted only to persons whose official duties require such access in the interest of promoting national defense and only if they have been determined to be trustworthy. Proper control of dissemination of classified defense information shall be maintained at all times, including good accountability records of classified defense information documents, and severe limitation on the number of such documents originated as well as the number of copies thereof reproduced. The number of copies of classified defense information documents shall be kept to a minimum to decrease the risk of compromise of the information contained in such documents and the financial burden on the Government in protecting such documents. The following special rules shall be observed in connection with accountability for and dissemination of defense information or material:

(a) Accountability Procedures: Heads of departments and agencies shall prescribe such accountability procedures as are necessary to control effectively the dissemination of classified defense information, with particularly severe control on material classified Top Secret under this order. Top Secret Control Officers shall be designated, as required, to receive, maintain accountability registers of, and dispatch Top Secret material.

(b) Dissemination Outside the Executive Branch: Classified defense information shall not be disseminated outside the executive branch except under conditions and through channels authorized by the head of the disseminating department or agency, even though the person or agency to which dissemination of such information is proposed to be made may have been solely or partly responsible for its production.

(c) Information Originating in Another Department or Agency: Except as otherwise provided by section 102 of the National Security Act of July 26, 1947, c. 343, 61 Stat. 498, as amended, 50 U.S.C. sec. 403, classified defense information originating in another department or agency shall not be disseminated outside the receiving department or agency without the consent of the originating department or agency. Documents and material containing defense information which are classified Top Secret or Secret shall not be reproduced without the consent of the originating department or agency.

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Section 8. Transmission: For transmission outside of a department or agency, classified defense material of the three categories originated under the provisions of this order shall be prepared and transmitted as follows:

(a) Preparation for Transmission: Such material shall be enclosed in opaque inner and outer covers. The inner cover shall be a sealed wrapper or envelope plainly marked with the assigned classification and address. The outer cover shall be sealed and addressed with no indication of the classification of its contents. A receipt form shall be attached to or enclosed in the inner cover, except that Confidential material shall require a receipt only if the sender deems it necessary. The receipt form shall identify the addressor, addressee, and the document, but shall contain no classified information. It shall be signed by the proper recipient and returned to the sender.

(b) Transmitting Top Secret Material: The transmission of Top Secret material shall be effected preferably by direct contact of officials concerned, or, alternatively, by specifically designated personnel, by State Department diplomatic pouch, by a messenger-courier system especially created for that purpose, or by electric means in encrypted form; or in the case of information transmitted by the Federal Bureau of Investigation, such means of transmission may be used as are currently approved by the Director, Federal Bureau of Investigation, unless express reservation to the contrary is made in exceptional cases by the originating agency.

(c) Transmitting Secret Material: Secret material shall be transmitted within the continental United States by one of the means established for Top Secret material, by an authorized courier, by United States registered mail, or by protected commercial express, air or surface. Secret material may be transmitted outside the continental limits of the United States by one of the means established for Top Secret material, by commanders or masters of vessels of United States registry, or by United States Post Office registered mail through Army, Navy, or Air Force postal facilities, provided that the material does not at any time pass out of United States Government control and does not pass through a foreign postal system. Secret material may, however, be transmitted between United States Government and/or Canadian Government installations in continental United States, Canada, and Alaska by United States and Canadian registered mail with registered mail receipt. In an emergency, Secret material may also be transmitted over military communications circuits in accordance with regulations promulgated for such purpose by the Secretary of Defense.

Library

(d) Transmitting Confidential Material: Confidential defense material shall be transmitted within the United States by one of the means established for higher classifications, by registered mail, or by express or freight under such specific conditions as may be prescribed by the head of the department or agency concerned. Outside the continental United States, Confidential defense material shall be transmitted in the same manner as authorized for higher classifications.

(e) Within an Agency: Preparation of classified defense material for transmission, and transmission of it, within a department or agency shall be governed by regulations, issued by the head of the department or agency, insuring a degree of security equivalent to that outlined above for transmission outside a department or agency.

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Section 9. Disposal and Destruction: Documentary record material made or received by a department or agency in connection with transaction of public business and preserved as evidence of the organization, functions, policies, operations, decisions, procedures or other activities of any department or agency of the Government, or because of the informational value of the data contained therein, may be destroyed only in accordance with the act of July 7, 1943, c. 192, 57 Stat. 380, as amended, 44 U.S.C. 366-380. Non-record classified material, consisting of extra copies and duplicates including shorthand notes, preliminary drafts, used carbon paper, and other material of similar temporary nature, may be destroyed, under procedures established by the head of the department or agency which meet the following requirements, as soon as it has served its purpose:

(a) Methods of Destruction: Classified defense material shall be destroyed by burning in the presence of an appropriate official or by other methods authorized by the head of an agency provided the resulting destruction is equally complete.

(b) Records of Destruction: Appropriate accountability records maintained in the department or agency shall reflect the destruction of classified defense material.

Section 10. Orientation and Inspection: To promote the basic purposes of this order, heads of those departments and agencies originating or handling classified defense information shall designate experienced persons to coordinate and supervise the activities applicable to their departments or agencies under this order. Persons so designated shall maintain active training and orientation programs for employees concerned with classified defense information to impress each such employee with his individual responsibility for exercising vigilance and care in complying with the provisions of this order. Such persons shall be authorized on behalf of the heads of the departments and agencies to establish adequate and active inspection programs to the end that the provisions of this order are administered effectively.

Section 11. Interpretation of Regulations by the Attorney General: The Attorney General, upon request of the head of a department or agency or his duly designated representative, shall personally or through authorized representatives of the Department of Justice render an interpretation of these regulations in connection with any problems arising out of their administration.

Section 12. Statutory Requirements: Nothing in this order shall be construed to authorize the dissemination, handling or transmission of classified information contrary to the provisions of any statute.

Section 13. "Restricted Data" as Defined in the Atomic Energy Act: Nothing in this order shall supersede any requirements made by or under the Atomic Energy Act of August 1, 1946, as amended. "Restricted Data" as defined by the said act shall be handled, protected, classified, downgraded, and declassified in conformity with the provisions of the Atomic Energy Act of 1946, as amended, and the regulations of the Atomic Energy Commission.

Section 14. Combat Operations: The provisions of this order with regard to dissemination, transmission, or safekeeping of classified defense information or material may be so modified in connection with combat or combat-related operations as the Secretary of Defense may by regulations prescribe.

Section 15. Exceptional Cases: When, in an exceptional case, a person or agency not authorized to classify defense information originates information which is believed to require classification, such person or agency shall protect that information in the manner prescribed by this order for that category of classified defense information into which it is believed to fall, and shall transmit the information forthwith, under appropriate safeguards, to the department, agency, or person having both the authority to classify information and a direct official interest in the information (preferably, that department, agency, or person to which the information would be transmitted in the ordinary course of business), with a request that such department, agency, or person classify the information.

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Section 16. Review to Insure That Information is Not Improperly Withheld Hereunder: The President shall designate a member of his staff who shall receive, consider, and take action upon, suggestions or complaints from non-Governmental sources relating to the operation of this order.

Section 17. Review to Insure Safeguarding of Classified Defense Information: The National Security Council shall conduct a continuing review of the implementation of this order to insure that classified defense information is properly safeguarded, in conformity herewith.

Section 18. Review Within Departments and Agencies: The head of each department and agency shall designate a member or members of his staff who shall conduct a continuing review of the implementation of this order within the department or agency concerned to insure that no information is withheld hereunder which the people of the United States have a right to know, and to insure that classified defense information is properly safeguarded in conformity herewith.

Section 19. Revocation of Executive Order No. 10290: Executive Order No. 10290 of September 24, 1951 is revoked as of the effective date of this order.

Section 20. Effective Date: This order shall become effective on December 15, 1953.

DWIGHT D. EISENHOWER

THE WHITE HOUSE,

November 5, 1953.

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(OVER)

Memorandum for the Heads of All Departments and Agencies of the Government

The following departments and agencies of the executive branch and their constituent agencies shall be subject to the limitations specified in section 2 of the Executive order entitled "Safeguarding Official Information in the Interests of the Defense of the United States":

A. Original Classification Authority Eliminated:

1. American Battle Monuments Commission
2. Arlington Memorial Amphitheater Commission
3. Commission of Fine Arts
4. Committee on Purchases of Blind-Made Products
5. Committee for Reciprocity Information
6. Commodity Exchange Commission
7. Export-Import Bank of Washington
8. Federal Deposit Insurance Corporation
9. Federal Mediation and Conciliation Service
10. Federal Reserve System
11. Federal Trade Commission
12. Housing and Home Finance Agency
13. Indian Claims Commission
14. Interstate Commerce Commission
15. Missouri Basin Survey Commission
16. National Capital Housing Authority
17. National Capital Park and Planning Commission
18. National Forest Reservation Commission
19. National Labor Relations Board
20. National Mediation Board
21. Railroad Retirement Board
22. Securities and Exchange Commission
23. Selective Service System
24. Smithsonian Institution
25. United States Tariff Commission
26. Veterans Administration
27. Veterans Education Appeals Board
28. War Claims Commission

B. Original Classification Authority Limited to Head of Agency:

1. Civil Aeronautics Board
2. Defense Transport Administration
3. Department of Agriculture
4. Department of Health, Education and Welfare
5. Department of the Interior
6. Department of Labor
7. Federal Communications Commission
8. Federal Power Commission
9. National Science Foundation
10. National Security Training Commission
11. Panama Canal Company
12. Post Office Department
13. Reconstruction Finance Corporation
14. Renegotiation Board
15. Small Business Administration
16. Subversive Activities Control Board
17. Tennessee Valley Authority

C. Heads of departments and agencies not named herein shall limit the exercise of classification authority in accordance with section 2(c) of the order.

DWIGHT D. EISENHOWER

THE WHITE HOUSE,

November 5, 1953.

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SUGGESTED COMMENTS ON COORDINATION OF PUBLIC STATEMENTS BY ADMINISTRATION OFFICIALS

Our recent extensive and favorable experience in preparation of the State of the Union message suggests that procedures followed there can be profitably applied to the continuing activity of all Administration officials as concerns public statements of any sort.

We have our legislative program on the Hill now, and there is little doubt among this group that its achievement is a *sine qua non* for the future success of Republican Administration. We should therefore take every possible step to avoid any confusions or misunderstandings which might be harmful to accomplishment of the program.

It is suggested therefore that the greatest possible care be taken by the entire Administration family to insure that every major statement which cuts across the general framework of the Administration or the particular fields of activity of other Administration organizations be fully coordinated prior to delivery — whether in a prepared address, testimony on the Hill, press conference or otherwise. The various elements of our program — budget, foreign policy, domestic policy — are all so closely interrelated that a casual statement on any part of it may seriously damage the whole.

The White House stands ready to assist in getting appropriate review by interested officials of any such proposed statement. Your press relations officers are in touch with Jim Hagerty and each other; and they ought make it standard procedure to consult among themselves on any questionable or delicate statements. In addition, the Cabinet Secretary machinery can be helpful by virtue of being in close contact with many topics which are still in the formative stage. Please feel free to call on Mr. Rabb for assistance and guidance in ~~securing~~ determining what other agencies may have an interest and in carrying out the desired coordination.

By thus being alert for any possible misunderstandings of proposed statements — either among ourselves or on the Hill — we can do much to achieve that fine teamwork through advance discussion which we set high among our objectives just a year ago.

The Secretary of State

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Wednesday, January 20, 1954

1. Personnel Problems and Patronage.
(The President)

2. Status of Present Legislative Program.
(General Persons)

3. Judicial and Congressional Salaries.
(The President)

4. Remarks. (The Vice President).

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E.O. 11652, Section 1
By BHC NLE, Date 7-29-76

MINUTES OF CABINET MEETING

January 20, 1954

9:10 A. M. to 10:30 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Secretary Dulles
Secretary Humphrey
Secretary Wilson
Mr. Brownell
Mr. Summerfield
Secretary McKay
Secretary Benson
Hon. Walter Williams
  (for Secretary Weeks)
Secretary Mitchell
Secretary Hobby

Mr. Flemming
Gov. Stassen
Chairman Young
Amb. Lodge
Gov. Adams
Gen. Persons
Mr. Shanley
Mr. Hagerty
Mr. Rabb
Mr. Harlow
Mr. Morgan
Mr. Martin

Absent:

Secretary Weeks
Mr. Dodge

The President noted that he had just signed the commission for Secretary of Labor Mitchell who thus became a bona fide member of the Cabinet.

The President also commented on the completion of one year in office as an opportune time for making a self-examination to see particularly if achievements were being made for the long term good of the country, if proper balance is being maintained in the approach to problems, and if each is exercising proper concern for his own health so that he could continue to fulfill his responsibilities. The President added that he had made his own self-examination and he judged his selection of principal assistants as perhaps his best achievement.

Patronage - The President recounted the discussion at the last Legislative Meeting and expressed his hope that any Cabinet Member who still had loose ends in his department would make one final effort through personal attention to clean up these problems once and for all, so that his attention would be free for important affairs. The President requested Amb. Lodge to give any desired assistance and suggestions to Cabinet members in this matter.

Secretary Dulles indicated that he and Chairman Hall had cleared up the situation in regard to a personnel contact at State. The President added that Secretary Wilson had also done this.

Secretary Dulles described the requirements of the State Department with its exceptional need for continuity and experienced personnel. The President

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indicated his strong support for this position.

The Vice President suggested that the time was approaching when patronage might be used as a lever to help put through the Administration program, particularly when an individual voted against the Administration on an important issue without sound reason for doing so. In this respect he noted a desertion from the ranks by Sen. Dworshak in the Committee vote on the Hawaiian Statehood bill. The Vice President suggested that acceptance of speaking engagements might also be determined in relation to the helpfulness of Members of Congress. The President suggested that the effort be made now to enlighten Members of Congress that this might be done rather than having to resort to punitive action at election time.

Legislative Program and Liaison - Gen. Persons briefly sketched current Congressional activity. He assessed as most important the need for orderly presentation of Administration testimony to Congress and he stated that he and Mr. Dodge would soon put out a memorandum on arrangements being made.

Gov. Stassen suggested that a team of 60 or 70 top officials be organized to exploit whatever close personal relationships they have with Members of Congress. Gen. Persons indicated the action being taken in this respect and requested that those Cabinet members who had not already done so supply him with a list of their close associations. He repeated later the need for making certain that each Cabinet member had close personal relations with the Chairmen of the particular Committees and Appropriations Subcommittees for his department.

Governmental Wages and Salaries - The President reported on the Legislative Conference discussion of judicial and Congressional salary increases, indicated that the new salary would probably be set at $22,500, and emphasized the Congressional desire to avoid tax exemptions but to have a favorable ruling on location of residence.

Secretary Dulles expressed the hope that same ruling might be applied to top Administration officials as a means for securing the services of top flight personnel who would otherwise suffer serious salary losses. Secretary Humphrey indicated the difficulty involved but promised to have a thorough study made.

The Postmaster General strongly urged that caution be exercised in this matter because of its probable effect on other wage increases being proposed. He felt the situation of Congressmen should be improved by tax rulings rather than direct salary increase, since the latter might well lead to a general across-the-board increase detrimental to balancing the budget. Secretary Humphrey predicted a Governmental increase would result in a comparable increase in private industry, a matter of extreme danger to the economy. Secretary Dulles asserted the desirability of accomplishing the balanced budget in view of the extensive policy modifications already made for that purpose. Amb. Lodge agreed that a Congressional increase would weaken the will to resist other increases. Mrs. Hobby also agreed and suggested certain fringe benefits such as health insurance.

The Attorney General voiced hope that the judicial salary increases would not be lost in the melee sure to come, for this increase is essential to securing high caliber personnel.

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Mr. Flemming stressed the need for developing a well coordinated Administration position on all wage increases. This will be done by a subcommittee headed by Chairman Young, who has action already under way. It was the consensus of the Cabinet that emphasis should be placed on correcting inequities rather than any general wage increase.

In the preceding discussion the Postmaster General discussed at length the effort being made by Rep. Rees in connection with wage increases. The latter predicts a minimum of $200 for all.

Anniversary Presentation - In leading up to the presentation of a Steuben glass bowl to the President from the Cabinet, the Vice President pointed to the accomplishments of the past year and particularly the effectiveness of the operation of this Cabinet as compared to its predecessors. He described the symbols on the gift and then went on to tell of his experiences in Malaya and India which showed the tremendous impact of the President's personality and leadership throughout the world.

The Cabinet was joined by Mrs. Eisenhower, members of the White House staff, and appropriate press and photographers for the presentation.

LAM
Minnich

Distribution:
✓Mrs. Whitman
Mr. Rabb
Mr. Minnich

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MR. RABB Please destroy when no longer used

NOTES ON CABINET MEETING
January 20, 1954

Personnel Problems - The President urged Cabinet members to look once more at personnel appointment procedures and to make a final effort to settle any remaining problems. Ambassador Lodge was requested to give any possible assistance to Cabinet members in this respect.

Congressional Liaison - Cabinet members were requested again to submit to General Persons, if they have not already done so, a list of Members of Congress with whom they have close personal relations. It was also suggested as a matter of first importance that each Cabinet member establish close personal relationships with the particular Committees and Appropriations Subcommittees concerned with his department.

Salary Increases - A Cabinet subcommittee under the chairmanship of Mr. Young was directed to prepare for Cabinet consideration a recommendation covering the many wage and salary questions which may arise in Congress.

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Copies to:
Mr. Hagerty
Mr. Shanley
Gen. Cutler
Mr. Morgan
Mr. Jackson
Dr. Hauge
Mr. Harlow
Gen. Carroll
Mr. Willis
Mr. Rabb

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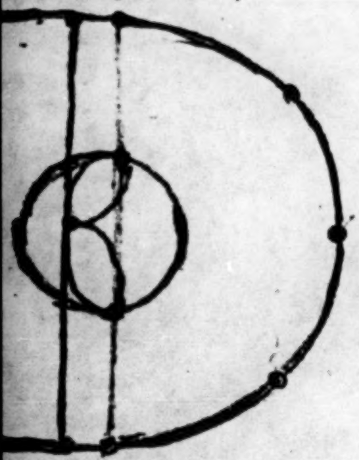

The Presiden

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, January 29, 1954

1. Policy Affecting Salary Increases in Federal Government.
    - (a) Introductory Remarks and Statement of Conclusions Reached. (Chairman, Civil Service Commission)
    - (b) Chart Presentation of Problem in the Post Office Department. (The Postmaster General and Mr. Hook)
    - (c) Budget Considerations. (Mr. Hughes)
    - (d) Long-range Views. (Mr. Folsom)
    - (e) Military Establishment Pay Problem. (The Secretary of Defense)

2. Discussion of Policy with Respect to Export-Import Bank. (The Secretary of the Treasury)

3. Consideration of the Randall Report. (Governor Adams)

4. Second White House Conference of Governors. (Governor Adams)

5. Plans for Cabinet Members' Attendance at Joint Session to Hear President Bayar. (Governor Adams)

6. Distribution of Surplus Tin Supply. (Mr. Flemmi[illegible])

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By DWC NLE, Date 7-29-76

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MINUTES OF CABINET MEETING

January 29, 1954

10:00 A. M. to 12:10 P. M.

The following were present:

President Eisenhower

Vice President Nixon
Under Sec. of State W. B. Smith (for Sec. Dulles)
Sec. of Treasury Humphrey, and Under Sec. Folsom
Sec. of Defense Wilson
Attorney General Brownell
Postmaster General Summerfield
  Deputy PMG Charles R. Hook, Jr.
  Asst. PMG for Personnel Eugene Lyons
Sec. of Interior McKay
Sec. of Agriculture Benson
Sec. of Commerce Weeks
Under Sec. of HEW Nelson Rockefeller (for Sec. Hobby)

Deputy Director of Budget Rowland R. Hughes (for Mr. Dodge)
Mr. Flemming
Gov. Stassen
Chairman Young
Amb. Lodge

Gov. Adams
Gen. Persons
Mr. Shanley
Mr. Rabb
Messrs. Morgan, Martin and Hauge (at intervals)

(Sec. of Labor Mitchell absent and not represented.)

Bricker Amendment - The President commented briefly on the continuing discussions concerning the Bricker Amendment and emphasized the need for taking positive action which would simultaneously protect the President's rights, authority, and responsibility in the conduct of foreign affairs and also relieve the legitimate fears of those agitating for the amendment. He stated his belief that the Bricker Amendment could be defeated but that the important thing was to act in such a way that so spurious an issue would not become an issue again in the next election. He emphasized the great effort of the Administration to be decent and reasonable without surrendering one iota on essentials.

Secretary Wilson voiced his agreement with the basic beliefs of most people concerned with the amendment to the effect that treaties should not be allowed to take away fundamental rights and that agreements such as those at Yalta and Potsdam should be prevented in the future by law if possible to do so.

The President commented that the Bricker Amendment per se would not guarantee either of those.

Salary Increases - Chairman Young reported the study of the subcommittee consisting of himself, the Postmaster General, Secretaries Mitchell, Humphrey and Wilson, Director Dodge, and Mr. Flemming. He indicated the probability of legislation increasing postal salaries which would require approval or veto by the President. He stated as the basic policy question the need for a determination as to whether the Administration would advocate a limited increase in terms of correcting inequities or would stand firm

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against any increase. He noted the close relationship of the problem in the Post Office to similar problems in the rest of Civil Service.

The Postmaster General outlined the situation in regard to postal salaries and forecast that unless the Administration acted Congress would approve a raise of $400 or more, which would cost the Post Office $200 million annually, and if extended to other Federal employees would cost $1 billion annually. He suspected that a Presidential veto of a postal salary increase would be overridden in this election year. He announced that a survey had been made by an administrative engineering firm of the postal field service and he asked Mr. Hook to present the results of the survey.

Mr. Hook presented a series of charts which illustrated and emphasized the lack of incentive for advancement, the very small pay differential between the highest jobs and the lowest, the generally favorable comparison at low and intermediate levels with the pay received by production workers in industry, and the favorable relationship at levels other than supervisory to the Consumers Price Index. Resulting from the survey were proposals for classifying all jobs within a 20-grade structure, salary increases ranging from $15 to $100 for 80% of the personnel, larger raises for supervisory personnel, and no decreases for anyone. The Postmaster General had previously indicated that no across-the-board increase is now justified and that existing inequities could be corrected by this program at a cost of about $80 million this year.

The President advised that it would seem better to hold up the recommendations concerning the top two grades. Mr. Summerfield saw a need for presenting these facts to Members of Congress prior to opening of Committee hearings.

Chairman Young indicated that similar inequities existed to a lesser degree in the area covered by the Classification Act, that the greatest problem resulted from compression at the top, and that a program for correcting these inequities could be achieved for approximately $161 million.

Speaking for Mr. Dodge, Mr. Hughes supported the postal recommendations as sensible and as capable of being financed by an increase in postal rates. He opposed any general increase in salaries. He suggested that if a program were adopted for correcting inequities within the Classification Act, the cost might be absorbed within existing personnel budgets.

Mr. Folsom emphasized the comparatively low pay received by top Government officials. He hesitated to support Mr. Young's $161 million proposal since it would do only a part of the job whereas for $250 million a single package reform including such fringe benefits as a death benefit and health insurance could soon be developed to cure nearly all existing evils. He agreed that the program recommended by Mr. Summerfield should be approved.

The Vice President and Ambassador Lodge emphasized political factors in Congress and indicated that it might be necessary for the Administration to accept a general postal increase of $100 joined to the program for correcting inequities.

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E.O. 11652, Section 1

By BNC NLE, Date 7-29-76

Secretary Wilson asserted that Defense Department personnel had been neglected during previous cost-of-living adjustments and he reviewed the many findings and recommendations made in recent years which have resulted in little or no corrective action. He stressed the merits of a job evaluation and correction of inequities program by recounting his experience at General Motors. He emphasized the necessity for being fair to all employees rather than merely giving in to the pressure groups usually organized for low and intermediate levels of employees. He asserted that increases designed to correct inequities up to 5% of the Defense Department personnel budget could be financed from the present payroll, and he indicated a desire for Cabinet approval for initiating a request to Congress.

The President agreed with the logic of Mr. Wilson's suggestion but stressed repeatedly that Congressional action on military salaries followed a different pattern, and approval would probably not be forthcoming at this time.

Secretaries Wilson and Humphrey and Gov. Stassen indicated the need for reversing the trend of recent years toward leveling up wages and salaries and seriously reducing the differentials for jobs of heavier responsibility. Gov. Stassen suggested the possibility of getting a fixed amount authorized for the single purpose of correcting inequities with specific designation of corrective steps to be made subsequently by the Administration.

(At this point the President, Mr. Brownell, and General Smith left the meeting briefly.)

Secretary Weeks warned against the stimulus which would be given to a round of pay increases throughout the Nation if the Government adopted raises totaling 4% of personnel budget. Secretary Wilson commented on the previous neglect of the military, and Secretary Humphrey stressed the difference between an across-the-board increase and an inequity correction program. He agreed that there was no basis for an across-the-board increase but felt that industry would not be incited by correction of inequities.

(The President, Mr. Brownell, and General Smith returned to the meeting.)

Mr. Flemming suggested that the subcommittee undertake to prepare within sixty days a program such as suggested by Mr. Folsom for correcting inequities and providing fringe benefits. The Cabinet approved.

It was agreed also that the Postmaster General should present his program to the Legislative Leaders at their next conference, with the understanding that the Post Office would not insist on the two top proposed grades.

The President summarized the real objective of the Administration as being a readjustment of salaries to eliminate inequities and restore incentives. It was agreed that the Cabinet action did not contemplate any percentage increase of salaries.

* * *

The meeting adjourned at 12:10 in order that several members of the Cabinet could attend the appearance of the President of Turkey at a joint session of Congress.

Distribution:
Mrs. Whitman
Mr. Rabb

Minnich

~~CONFIDENTIAL~~

January 27, 1954

MEMORANDUM FOR

THE SECRETARY OF DEFENSE

This memorandum is in pursuance of the memorandum of January twenty-third from the President to the Secretaries of State, Treasury, Defense, Interior, Agriculture, Commerce and Labor, the Attorney General, the Directors of the Bureau of the Budget, the Foreign Operations Administration and the Office of Defense Mobilization, and the Chairman of the Council of Economic Advisers. In that memorandum, the President directed the Executive Departments and Agencies with responsibilities in the area of foreign economic policy to proceed immediately with an intensive review of the Commission's Report "as a first step in the formulation of a unified Administration program to be submitted to the Congress for its attention during the current session."

Mr. Clarence Randall will assume his duties as Special Consultant to the White House on February seventeenth and will be responsible for the coordination and development of the Executive Branch program on the basis of the Commission's Report. It is hoped that a special message from the President to the Congress setting forth that program will be ready for transmission by March fifteenth.

In order to facilitate this work, the following procedure is being undertaken:

1. Each Executive Department and Agency should forward to my office by not later than February tenth a preliminary reaction to the Report which:

    a. Identifies those recommendations which it wishes to have discussed further before the Administration position is determined;

    b. Recommends other matters in the area of foreign economic policy which the Department or Agency feels should be included in an Administration program; and

c. Discusses what action would be appropriate to implement the recommendations outlined in (a) and (b).

These statements should set forth in brief compass the reasoning behind the suggestions made. Obviously each Department and Agency is not obliged to comment on recommendations unrelated to its activities. Nor are final positions expected to be taken in this first reaction. It is believed, however, that such a preliminary view of things will help us get the whole Executive Branch analysis off to a good start.

2. Subsequent to the receipt of these statements, the necessary consultation with the appropriate Departments and Agencies will be arranged and such further staff work as required will be organized.

Gabriel Hauge
Administrative Assistant to the President

January 28, 1954

MEMORANDUM FOR

MR. RABB

I think it would be well to have brief mention made in the Cabinet Meeting Friday morning of the general plan for considering the Randall Report and the development of the President's recommendations to the Congress in the field of a report.

We have already proceeded, as I have told you, some way on this project. The President sent last Saturday, immediately upon receipt of the Report, a memorandum to those Department and Agency Heads more or less directly concerned with the problem. Last night in pursuance of that memorandum I sent copies of the enclosed memorandum to the same Agency and Department Heads. What might be said to the Cabinet tomorrow, perhaps by Governor Adams, is something like the following:

1) The preliminary reaction requested in my memorandum of January twenty-third is not expected to be a comprehensive definitive and final statement of facts by any Department or Agency, but is designed rather to cast light on how the Report goes down with the various Department and Agency Heads and where the principal additional work will have to be done.

2) Prior to Mr. Randall's return on February seventeenth to assume his duties as Special Consultant to the White House for the purpose of assisting in the development of the President's recommendations to the Congress, it is our hope to have advanced a considerable way in this preliminary work of locating the problem areas and launching additional inquiries. I am being assisted in this work by Robert Macy of the Bureau of the Budget whom Budget Director Dodge has loaned to me and to Mr. Randall as principal Administrative Officer on this project.

3) The date we are shooting for is March fifteenth. This will be hard to meet but any later will be fatal for consideration in this Session.

4) It should be stressed very strongly that in this period prior to the President's Message going up to the Hill, Departments should carefully avoid taking positions on matters in this field that will prejudice the future consideration of events with respect to the special Message.

5) It is also essential that Department and Agency Heads in the most effective way they can should seek to prevent their subordinates from giving out opinions about parts or all of the Randall Report.

The Gerald D [illegible]

Gabriel Hauge

NOTES FOR CABINET ANNOUNCEMENT

"SECOND WHITE HOUSE CONFERENCE OF GOVERNORS"

The effectiveness of the White House Conference of Governors last May inspired a desire on the part of both Administration officials and members of the Governors' Conference that similar conferences be held in the future.

Almost a year has now elapsed, and spokesmen for the Conference have consulted with us here on arrangements for a second White House Conference this spring. Tentative agreement has been reached for setting the date ~~at~~ in late April~~, 26, 27, and 28, with perhaps a dinner preceding on the evening of [illegible].~~

We must still shake down the agenda, but at this point it would seem wise to highlight such general areas as the new orientation of our defense and foreign policies, the Federal-State Inquiry, the Legislative Program as it relates to the States, and the Fiscal and Economic situation of the nation in general and of the Federal Government in particular.

The help of members of the Cabinet will again be essential in putting on this Conference at the same high standard as was set last year.

Governor Peterson has recently been able to free some of his time for assisting us directly again here at the White House, and it would seem most appropriate in view of his past affiliations to ask him to take command of arrangements as one of his first efforts. He should be in touch with you shortly in this regard.

The entire matter is still in its formative stage. ~~and it will probably require a week or two for the invitations to be extended and public announcement made.~~

THE WHITE HOUSE
WASHINGTON

Max:

RE CABINET AGENDA

I struck gold with Arthur Flemming.

He is practically certain he will have ready an item on "tin". He had a sub-Cabinet meeting Monday and the group came up with four recommendations for which he will seek approval at Cabinet.

He will have a short paper ready for distribution at Cabinet.

Title of item (Flemming's suggestion --

"Recommendations Relative to Purchases of Tin, and Participation in Proposed International Tin Agreement."

Flemming thought no further alerting of people need be done, but I still think you ought talk with him or one of your contact personnel. At least half a dozen department are. involved.

Art

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF DEFENSE MOBILIZATION
WASHINGTON 25, D. C.

OFFICE OF THE DIRECTOR

January 29, 1954

MEMORANDUM TO THE CABINET:

At a meeting attended by representatives of the Departments of State, Defense, Treasury, Interior, Commerce, the Foreign Operations Administration, the Office of Defense Mobilization, and the Reconstruction Finance Corporation, it was agreed, subject to State and F.O.A. reservations, that the following recommendations should be made with reference to the handling and distribution of our surplus tin supply, and with reference to United States participation in the proposed international tin agreement:

1. That we pursue our present policy with respect to the 40,000 tons of tin now held by the RFC in excess of stockpile objectives — work up the ores on hand, and close down our smelter — and hold the stock in insulation, apart from the regular stockpile.

2. That we authorize the regular channels through which tin is purchased to make an offer to purchase the 20,000 tons of tin contracted for with Indonesia in the third year, at a price that will fairly reflect market prices at the time of delivery — i.e., on a monthly average over the 12 months.

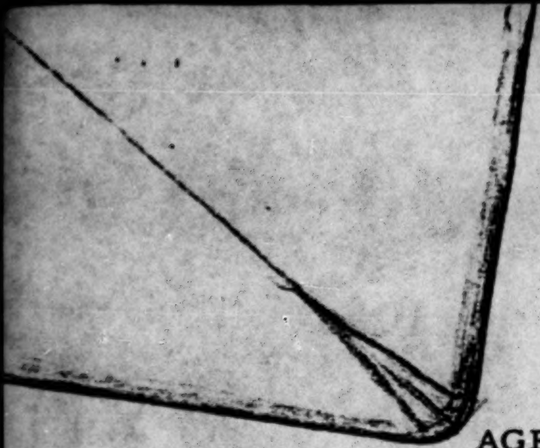
3. That the 20,000 tons so purchased be stored in insulation with the 40,000 tons, making a total of 60,000 tons, and assurances made that withdrawals shall be made only at the direction of the President, as in the case of regular stockpile materials.

4. That the U. S. not participate in any negotiations of an International Tin Agreement with other countries, or in any arrangement which might be construed as having cartel implications or characteristics. That the U. S. should take no position with respect to what the other nations do — as to whether negotiation of an agreement among themselves is either good or bad — on the ground that we will have made such a contribution to stability of the international tin market by the handling of our own tin stocks that there is no obligation on our part to participate in any arrangements the other nations may negotiate. (Mr. Stassen favors abstention from active participation by the United States, but would encourage

the other nations to proceed with the implementation of the Tin Agreement among themselves, and thus to place appropriate limits on their own production — in the case of producer nations — to bring it into line with world market conditions. This would stabilize tin conditions and serve important U. S. political objectives. Assistant Secretary of State Waugh felt that the political issue involved in this proposal should be decided at the highest level.)

Final decision on the latter item will await a report from A Tin Conference to be held on February 24th in the Department of Commerce, which will be attended by representatives of the tinplate industry and secondary producers who will present the views of the industry with regard to the proposed International Tin Agreement.

Arthur S. Flemming
Director



he President

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, February 5, 1954

1. The Export of Cottonseed Oil to the Soviet Bloc. (Secretary Weeks) ✓

2. Discussion of Policy with Respect to Export-Import Bank. (Secretary Humphrey) ✓

3. The Administration's Public Works Program. (The President) ✓

4. Information About Security Program to be Furnished Formally to the Appropriations Committee. (Governor Adams) ✓

5. Consideration of the Randall Report. (Governor Adams) ✓

6. Second White House Conference of Governors. (Governor Adams)

7. Progress Report on Pay Committee. (Chairman Young)

Cabinet Schedule to Avoid Possible Conflict with Lincoln Day Celebrations. (Governor Adams)

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By SHC NLE, Date 8-3-76

MINUTES OF CABINET MEETING

February 5, 1954

10:00 A. M. to 12:20 P. M.

The following were present:

President Eisenhower

Vice President Nixon
Under Sec. of State W. B. Smith (for Sec. Dulles)
Sec. of Treasury Humphrey
Sec. of Defense Wilson
Attorney General Brownell
Postmaster General Summerfield
Sec. of the Interior McKay
Sec. of Agriculture Benson
Sec. of Commerce Weeks, and Asst. Sec. Samuel W. Anderson
Sec. of Labor Mitchell
Sec. of HEW Hobby

Deputy Director of the Budget Rowland Hughes (for Mr. Dodge)
Hon. Victor Cooley, representing Mr. Flemming
Hon. Robert E. Matteson, representing Gov. Stassen
Chairman Young
Amb. Lodge
Gov. Adams
Gen. Persons
Mr. Rabb
Mr. Shanley
Dr. Hauge
Mr. Hagerty
Mr. Morgan
Mr. Martin

ABSENT: Sec. Dulles
Mr. Dodge
Mr. Flemming
Gov. Stassen

Exports to the Soviet Bloc -

Information concerning foreign relations has been excised from this page by the Eisenhower Library staff.

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By GHC NLE, Date 8-3-76

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Policy on Export-Import Bank - Sec. Humphrey presented a memorandum which had the approval of the Departments of State, Treasury, and Commerce, FOA, the Chairman of the Federal Reserve Board, and the Presidents of the Export-Import Bank and the International Bank for Reconstruction and Development. In general, the proposed policy established areas of jurisdiction with some small overlapping for the Export-Import Bank and the International Bank. It also set forth a recommended basis for Export-Import Bank loans with the general effect of securing help from private investors for collection of the loans.

Secretary Humphrey indicated that this policy was not in opposition to the Randall Commission report, that it is in line with the thinking of the Capehart Committee, but that it will be checked in detail with Sen. Capehart. He noted that the Capehart Committee may want to re-establish a Board of Directors in the Export-Import Bank, which will be agreeable to the Administration provided the Board remains subject to the National Advisory Council as now provided by law but not currently applied.

The Cabinet accepted this recommendation without objection.

Public Works Program - The President announced that he had asked Dr. Burns to coordinate (in conjunction with the Budget Bureau) reports from the departments and agencies concerning their plans for public works projects should economic conditions indicate the desirability of initiating them. He emphasized that under such conditions it would be essential to have planning sufficiently far advanced to allow men to be put to work quickly, and he noted that too frequently preliminary planning, testing and survey delay full scale initiation of projects. He emphasized that such projects should have great intrinsic value to the development of the country

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By BHC NLE, Date 8-3-76

instead of being merely "made work". He set July 1st as a tentative target date for being prepared to act.

The President also suggested his readiness to request supplemental appropriations from Congress now should any Cabinet members see a desirability for initiating a few projects at this time, and he noted the flexibility to be had from projects in being which could be speeded up or stretched out as economic conditions indicated.

Secretary McKay agreed on the possible desirability of initiating several works projects at this time in the field of power, and he pointed particularly to local and private organizations prepared to undertake power development at the planned flood control dam at Eugene, Oregon. He believed the Federal government should not lag behind on a partnership proposal of this sort. Gov. Adams noted the qualifications of the Eugene project in terms of methods advocated by the President during the campaign. The President suggested also the possibility of accomplishing the construction of toll roads on the basis of government bond guarantees.

Mr. Hughes indicated present activity toward initiating several projects now. Secretary Mitchell noted the potential benefit of checking the unemployment increase in the Pacific Northwest. Secretary Humphrey felt a broad program of this sort would be desirable should the fiscal operations now being conducted fail in their purpose, though he felt they might well succeed. Secretary McKay stressed the importance of securing adequate funds to maintain construction of current projects and avoiding any necessity for laying off workers.

Amb. Lodge expressed great approval for this careful attitude and its effectiveness in defeating the alleged charges of Republicans being devoted to the "trickle down" theory of economics.

Mr. Hughes commented that appropriations requests for such projects would continue to flow through normal channels.

REA Interest Rate - In connection with the previous discussion, Secretary Benson recalled the effective use of the REA through its loans for developing rural telephone and electric light systems. He commented on the current allegations that Republicans would raise the interest rate on these loans and he expressed the belief that announcement should be made now that the rates will be held at the existing level. Secretary Wilson believed this a sounder way of subsidizing the farm element than through price supports.

Secretary Humphrey agreed the announcement should be made and the President indicated he would do so at his next press conference.

Employee Security Program - Gov. Adams called attention to the request from the House Appropriations Committee to Mrs. Hobby for detailed information concerning the program. The Governor believed that certain information should be given freely to responsible Congressional leaders and that the policy question to be decided was how much material should be given formally for the public record. Mr. Morgan presented a memorandum (copy attached) outlining the limits on such information.

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E.O. 11652, Section 1
By [illegible] NLE, Date 8-3-76

Gen. Smith suggested that in view of the petty allegations made in FBI files the wording in paragraph (C) should be changed to indicate unfavorable material which might have justified charges. Secretary Wilson urged that no effort be made to supply the breakdown being demanded for political reasons since it would be an extremely costly operation to go back through thousands of personnel files involved in the Defense Department turn-over. Gov. Adams commented on the difficulty of reviewing all files for determination of the seriousness of allegations, and he noted the need for giving some information to Congress. It was agreed that the memorandum would be revised and checked individually with members of the Cabinet.

The President, Vice President, Secretaries Humphrey and Wilson all urged the need for standing firmly on the objective set for the Employee Security Program, namely, placing the emphasis on security risk and avoiding determination as to disloyalty. The President also took exception to implications that he had stated great numbers of Communists had been put out of the government. He stressed also the necessity for maintaining the integrity of the civil servant who was released solely for economy reasons.

Mr. Young pointed to the difficulty of fulfilling the CSC obligation to report to the NSC until reports from the Defense Department are secured. Secretary Wilson repeated the costliness of the operation, but the President suggested that mechanical computers could overcome the obstacle.

Gen. Persons suggested a carefully planned campaign by the Congressional minority to extract in Committee hearings further information as to the program, and Mr. Summerfield recounted his experience in this respect.

Consideration of the Randall Report - Dr. Hauge described the procedure for developing Presidential recommendations in conjunction with the Randall Report through a series of meetings at the Assistant Secretary level. Preliminary comment by the departments has been requested for February 10th. Mr. Randall will return as a special consultant on February 17th to assist in this effort.

Dr. Hauge also urged that policy statements and Congressional correspondence be watched carefully with a view to not prejudicing the President's position on this matter, and he suggested particularly the FOA Message and the Export-Import Bank policy statement.

Conference of Governors - Gov. Adams noted the Conference of Governors to be held in Washington on April 26th, 27th, and 28th and urged that Cabinet members cooperate with Gov. Peterson in arranging Administration participation in the program.

Salary Increases - Chairman Young made a progress report for the subcommittee on this subject and noted particularly the problem revolving around the $14,800 ceiling. He stated that Mr. Folsom is obtaining the help of individuals much experienced in regard to fringe benefits.

Amb. Lodge asserted this to be a bad year for raising pay schedules and suggested that the Administration not be aggressive on this matter. Mr.

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By BHC NLE, Date 8-3-76

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Humphrey, however, felt that the Administration must take the initiative in order to head off extremely damaging proposals in Congress. The Postmaster General stated his desire to wage a constructive offensive and the President tended to agree with him.

The Postmaster General read a draft of the statement he proposed to make when postal salary hearings open next week. Cabinet comment was restricted to matters of emphasis within the statement, particularly with reference to skilled people rather than supervisors.

Cabinet Schedule - It was agreed that Cabinet meeting would be omitted on Lincoln's Birthday and that decision would be made shortly as to whether a meeting was necessary on February 9th.

LAM
Minnich

Distribution:
- Mrs. Whitman
- Mr. Rabb
- Mr. Minnich

~~CONFIDENTIAL~~

SUGGESTED ADMINISTRATION POLICY CONCERNING RELEASE BY VARIOUS DEPARTMENTS AND AGENCIES OF INFORMATION ABOUT THE EMPLOYEE SECURITY PROGRAM.

The House Appropriations Committee has asked the Department of Health, Education and Welfare for certain information about the operation of the employee security program in that Department under Executive Order 10450 of May 28, 1953. It appears to be the intention of the Committee to ask for the same information from other Departments and agencies.

It is suggested:

(1) That any information about the program (other than the names of individuals or FBI reports or other investigative material in any files and other than a breakdown of causes for separation) that is requested be furnished informally to the Chairman of the committee or of the applicable subcommittee.

(2) That only the following information be furnished formally for the record:

(A) The total number of employees in the Department or agency as of some given date.

(B) The total number of employees in the Department or agency involuntarily separated during 1953 because of unfavorable security information, regardless of whether such separation was effected under Public Law 733 or under some other authority.

(C) The total number of employees in the Department or agency whose files contained unfavorable security information, and whose employment with the Department or agency terminated in 1953 by resignation (regardless of whether such resignation took place before or after charges). ~~or by reduction in force~~

(D) The total number of employees in the Department or agency included in items (B) and (C) with respect to whom a full field investigation was made under Executive Order 9835.

February 2, 1954

~~Secret~~

MEMORANDUM FOR

DR. ARTHUR BURNS

You and I have several times talked about the need for keeping in a high state of readiness all applicable plans for combatting, or rather preventing, depression or serious deflation.

I realize that many of the Government's weapons against recession are ready for prompt and current action, such as credit measures, debt management, alteration in certain permissive terms in mortgages Federally insured, and some variation in the rate of authorized budget expenditures. Others, such as reductions in taxes and other modifications in tax laws together with changes in the social security and unemployment insurance programs, require Congressional action. There are others that require a varying length of preparatory work before they can be effective either in employing large numbers of people or in otherwise making money available for stabilizing and stimulating the economy. In this latter group must be included all types of public works.

In connection with this, if it is possible without making any new and exhaustive study, to give me an outline report of the public works now actually under construction or for which the beginning of construction is contemplated in the budget, I should like a brief account of:

(a). Numbers and types of projects.

(b). Length of time that work has been progressing on each.

(c). Average number of individuals now employed, and

(d). Number that will be employed on them by the end of fiscal 1955.

DECLASSIFIED
Authority - NLE 76-128, #1
By .... NLE DATE 10/18/76

Secret

COPY

~~Secret~~

Unless preparatory public works plans are carried to a relatively high degree of completion and ready for instant use in the event of emergency, one of two things is bound to happen should there be sudden need. Either there will be extravagant and wasteful use of public funds, with a minimum of returns either in the form of gainful employment or in improving the capital assets of the nation, or on the other hand there will be an unconscionably long delay in getting such work started.

By careful planning and timely preparation all this can be avoided, and at a cost which need not be excessive.

Among the kind of things that instantly come to mind are:

(a). Soil conservation projects.

(b). Public power projects and multiple purpose dams.

(c). Good road development.

(d). All types of needed public buildings, including particularly dispersion projects under the theory of continental defense.

(e). All kinds of defense building in all three services.

(f). Approved ship building programs in commercial types.

As we agreed this morning, your function in the preparation of such plans will be largely coordinating and supervisory in character. The Departments will in general prepare specific plans. In order that there may be no misunderstanding of the importance I attach to this work, we will, as we also agreed

~~Secret~~

COPY

this morning, take it up at the next meeting of the Cabinet. I shall do everything possible to make certain that this work is pushed vigorously so that we may be assured of a reasonable state of readiness in this regard certainly no later than July first.

If we find it necessary to ask for some reasonable increase in appropriations in order to carry survey and exploratory activities to the needed level, I shall present such supplemental request to the Congress as soon as the necessary data and records are submitted to me.

Within my immediate staff Dr. Hauge will be designated as my liaison officer for this work.

D.E.

D.D.E.

COPY

26-27-28
April

NOTES FOR CABINET ANNOUNCEMENT

"SECOND WHITE HOUSE CONFERENCE OF GOVERNORS"

The effectiveness of the White House Conference of Governors last May inspired a desire on the part of both Administration officials and members of the Governors' Conference that similar conferences be held in the future.

Almost a year has now elapsed, and spokesmen for the Conference have consulted with us here on arrangements for a second White House Conference this spring. Tentative agreement has been reached for setting the date in late April.

Dulles
Wilson

We must still shake down the agenda, but at this point it would seem wise to highlight such general areas as the new orientation of our defense and foreign policies, the Federal-State Inquiry, the Legislative Program as it relates to the States, and the Fiscal and Economic situation of the nation in general and of the Federal Government in particular.

The help of members of the Cabinet will again be essential in putting on this Conference at the same high standard as was set last year.

Governor Peterson has recently been able to free some of his time for assisting us directly again here at the White House, and it would seem most appropriate in view of his past affiliations to ask him to take command of arrangements as one of his first efforts. He should be in touch with you shortly in this regard.

The entire matter is still in its formative stage.

SECRET ATTACHMENTS

DEPARTMENT OF COMMERCE
OFFICE OF THE ASSISTANT SECRETARY
WASHINGTON

2-2-54

MR. MAXWELL RABB:

Here are 15 copies of the Cottonseed Oil memorandum which we discussed.

Note "secret" classification and that these copies are denoted serially Nos. 10 through 24.

AF
Arthur W. Frazer

~~SECRET~~

January 29, 1954

MEMORANDUM FOR THE SECRETARY OF COMMERCE

Subject: Export of Cottonseed Oil to the Soviet Bloc

The ACEP this morning discussed two pending applications to ship from Commodity Credit Corporation stocks to the Soviet Bloc some 50 million pounds of cottonseed oil valued at $6,500,000. This is 5 percent of present CCC stocks. The Honeymeade Company would export the oil through a Swiss intermediate to the Bloc. The proposed export price of 12½¢ per pound is 2¼¢ less than the government is currently paying under the support program, but equivalent to the world price on a delivered basis.

These cases differ from the butter case recently discussed by the Cabinet in the following respects: (1) Agriculture has no disposal policy or price for butter; it has for cottonseed oil, and has made large sales at the 12½¢ price to India and the U. K. (2) American housewives will not react towards the oil as they do toward butter. (3) The price spread here is much smaller than in butter.

The policy problems involved are (1) whether subsidized farm products should be exported at reasonable prices to the Soviet Bloc and (2) the public relations aspect of such large sales. Cottonseed oil is not strategic and, under our general economic defense policy approved by the President (NSC 152/3), would normally be licensed to the Bloc.

At the ACEP meeting Agriculture Under Secretary Morse confirmed that an export policy and price had been established for cottonseed oil and that Agriculture would welcome disposal of the surplus. However, he was not sure of the Administration's general policy on the sale of subsidized commodities to the Bloc and believed that a real public relations problem is involved. He suggested Cabinet review of the issue. State's Deputy Assistant Secretary Kalijarvi in a prepared statement advised that, from the point of view of State's responsibilities, there was no reason why the shipment should not be approved. There are no international commercial policy considerations or problems of economic impact on friendly countries which would require State to object. Approval would be consistent with our general economic defense policy.

Mr. Hansen of MDAC, representing Mr. Stassen's office, suggested that these cases should be held until a general policy with respect to the sale of subsidized agricultural commodities was established at the Cabinet level. He referred also to an NSC Planning Board problem on the desirability of bartering surplus agricultural commodities for strategic materials from the Bloc. Col. Moffatt of Defense had no objection to the shipment on military grounds. However, he questioned whether we derive any advantage from sending consumer type goods to the Bloc at this time.

I am disposed to recommend approval of these shipments. However, you should consider whether you want to first obtain Cabinet guidance on the general issue of shipping subsidized agricultural surplus products to the Soviet Bloc at reasonable prices and on the public relations problem. Agriculture and FOA would prefer that you do so. State has asked to be consulted before any public announcement on this matter because of a current delicate negotiation involving Czechoslovakia.

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uthority COMMERCE DEPT. MEMO
ate 5/21/74
y DJH NARS Date 6/14/74

Samuel W. Anderson
Assistant Secretary for International
Affairs

~~SECRET~~

February 2, 1954

Mr. Rabb -

Mr. Minnich had the following suggestions to make for Cabinet on Friday:

1. Current Status of Schedule "C" Positions. (As presented by Mr. Young at Staff Meeting today)

2. Report on the Employee Security Program. (Concerning the Suggestions being developed by Governor Adams, the Attorney General, Mr. Morgan, et al)

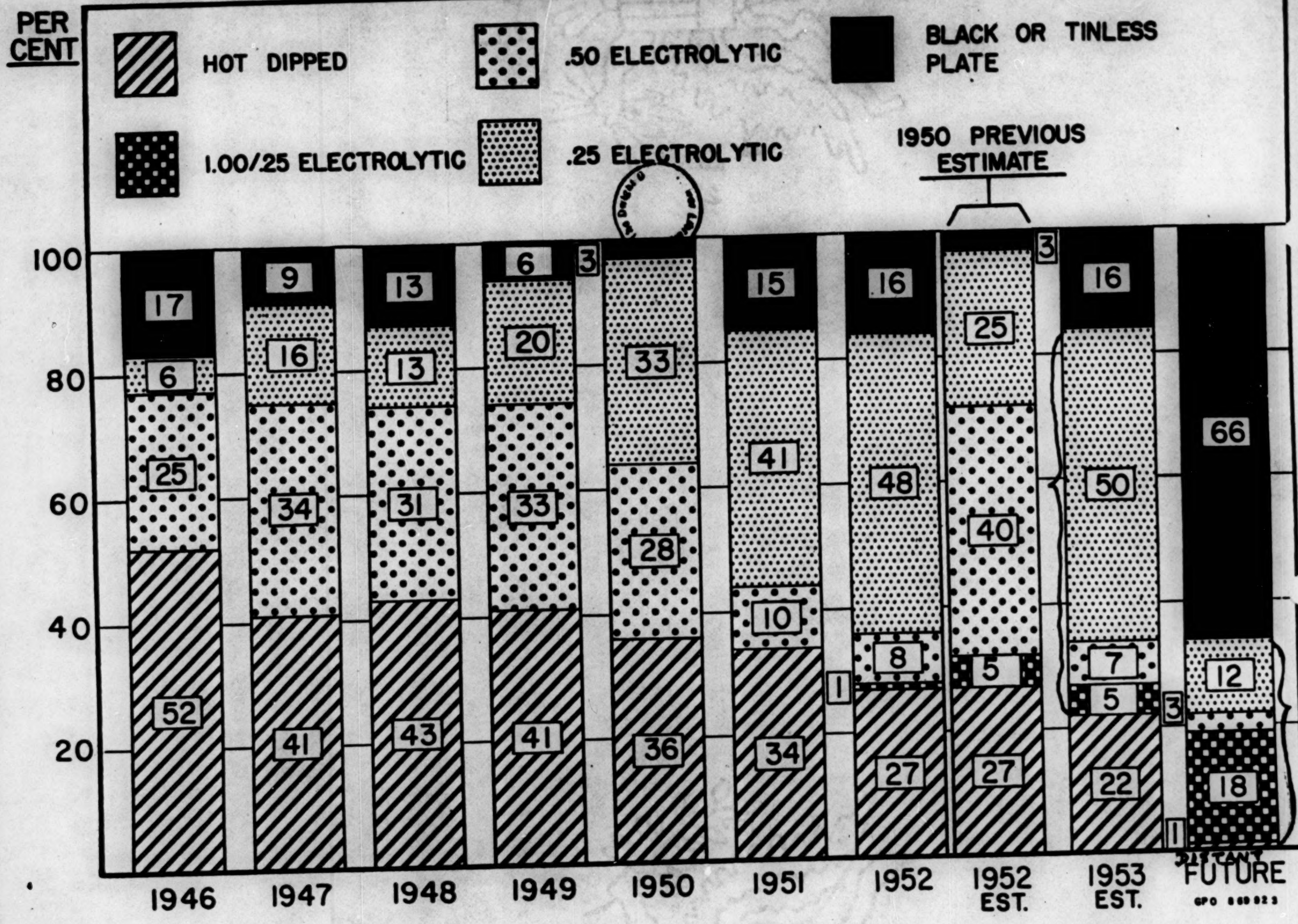
3. General Persons' matter re early requests for legislation.

4. As a separate item, though closely associated with the preceding one concerning Employee-Security, there might be listed "Executive Order on Availability of Personnel Files". Mr. Morgan indicated the desirability of securing this from the Attorney General so that this Administration would not have to cite an Executive Order of the last Administration.

gs

FROM ALL U.S. SUPPLIERS

RECEIPTS OF PRIMARY TIN MILL PRODUCTS



THE PRESIDENT

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Tuesday, February 16, 1954

1. Schedule "C" Analysis.
   (Chairman, Civil Service Commission)

2. Interim Report of Pay Committee.
   - (a) Classification Act.
     (Chairman, Civil Service Commission)
   - (b) Health Insurance.
     (Mr. Rockefeller)
   - (c) Life Insurance.
     (Mr. Folsom)
   - (d) Budget Considerations.
     (Director, Bureau of the Budget)

3. Appearances Before the Republican Congressional Secretaries Club. (Governor Adams)

4. Need for Expediting Legislative Requests.
   (General Persons)

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By ZHC NLE, Date 8-3-76

MINUTES OF CABINET MEETING

February 16, 1954

9:05 A. M. to 11:25 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Under Sec. of State Donold Lourie
  (for Sec. Dulles)
Under Sec. of Treasury Folsom
  (for Sec. Humphrey
Deputy Sec. of Defense Kyes
  (for Sec. Wilson)
Attorney General Brownell
Sec. of Interior McKay
Sec. of Agriculture Benson
Sec. of Commerce Weeks, and
  Asst. Sec. Lothair Teetor (first item)
Sec. of Labor Mitchell
Sec. of HEW Hobby, and
  Under Sec. Nelson Rockefeller

Director of the Budget Dodge
  and Deputy Director Hughes
Mr. Flemming
Deputy Director FOA Wm. Rand
  (for Gov. Stassen)
Chairman Young
Amb. Lodge
Gen. Persons
Mr. Hagerty
Mr. Rabb
Mr. Shanley
Mr. Morgan
Dr. Hauge (first item)
Mr. Martin
Mr. Harlow
Mr. Minnich

Unemployment Estimates - Secretary Weeks described the new sampling methods for compiling unemployment estimates which were used for the first time in January and indicated an unemployment level 700,000 above the old method estimates. He noted that the new figures had leaked out and that it seemed appropriate, after consultation with Doctors Burns and Hauge and others, to issue a statement explaining the change and the fact that both sets of estimates would be used pending further evaluation by a committee of experts. The President agreed that any effort to conceal the new estimates would give them undue importance and that the announcement should be made.

Secretary Weeks read a draft of the statement, following which the Cabinet suggested that its length be reduced and that greater emphasis be put on the reasons for the change.

Personnel - Schedule C - Chairman Young presented a series of charts comparing the status of Schedule C positions at present with those of November 15th. They indicated among other things that about 870 positions have been placed in Schedule C out of nearly 1700 requested, and that about half of those disapproved are now in Schedules A and B with the result that the right to dismiss is the same as for Schedule C. They revealed also that 24% of Schedule C positions are currently unfilled and that 449 or 68% of those filled are occupied by the same person as before Schedule C classification.

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 8-3-76

The President stressed the desirability of making clear to Administration officials the similarity of Schedule A and Schedule C conditions and repeated his desire that such matters be cleaned up to free the time of high officials for more important matters.

Mr. Kyes expressed a desire to make changes involving personnel under the authority of GSA, and Governor Adams was instructed to consult with Mr. Mansure on the matter.

Government Salaries and Benefits - Mr. Young reviewed the work of the Subcommittee and requested Cabinet direction on developing particular items of the "package" proposal which includes postal salaries, Classification Act revisions, Wage Board operations, group life insurance, group health insurance, unemployment insurance, retirements and pensions (Kaplan Committee), and other fringe matters involving overtime, longevity, and incentive pay.

With respect to revision of the Classification Act, Mr. Young outlined several alternatives prepared by the Committee including Plan C which would hold the maximum pay at $14,800 and which would increase pay differentials particularly in the highest grades. The Subcommittee would recommend a more far-reaching "Plan D" provided that Congress revised Congressional, Judicial, and Executive pay.

In response to Ambassador Lodge's caution against emphasizing the higher brackets, Mr. Rockefeller indicated the difficulty of competing with private industry in securing top flight personnel. The President expressed his feeling that securing top personnel would inevitably depend upon other motivations than pay equivalent to private industry. He expressed disfavor for any pay to exceed $14,800 until Congress should act on other pay scales. Mr. Dodge, Mrs. Hobby, and Mr. Rockefeller indicated that even a small increase at high levels would help to retain and recruit top personnel.

It was agreed that Plan C should be recommended.

Chairman Young pointed out that this action would give rise to new efforts for a military pay increase, but the President asserted that the question of military pay was entirely separate from that of revising the Classification Act.

A memorandum (copy attached) concerning health insurance was presented by Mr. Rockefeller with a request for approval in principle in order that the complicated details of a specific plan could be worked out.

It was emphasized in the discussion that the plan would be entirely voluntary, that the American Medical Association would not object provided the Government refrained from setting rates arbitrarily, and that the program in effect would reduce time lost by illness. The President expressed favor for the proposal.

The Cabinet agreed that a detailed plan should be developed.

The group life insurance proposal was outlined by Mr. Folsom with emphasis on low cost (about 25¢ per thousand per pay period), on ease of

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-3-76

administration, and convertibility to regular insurance. The plan would be underwritten by a large group of private insurance companies operating as a unit for this program.

Secretary Mitchell stated a belief that the Government eventually would have to pay the entire cost of such programs instead of sharing the cost with the employee. Mr. Rockefeller indicated that the flexibility of the medical plan would prohibit total payment by the Government. The President expressed his favor for this life insurance proposal.

Costs of these proposals were estimated in a memorandum (copy attached) prepared by the Budget Bureau. Mr. Dodge emphasized that the Administration should absorb the costs of the proposals without recourse to supplemental requests and thus avoid the risk of inspiring across-the-board wage increases or additional tax reductions, both of which might result from breaking down the balanced cash budget now in sight. Secretary Benson and Mr. Young both indicated that proposals of this sort provided the basis for resisting across-the-board wage increases.

Mr. Dodge suggested the possible desirability of securing authority from Congress to absorb these increases through having flexibility for reductions in force over a limited period of time. By flexibility he meant authority to effect reductions without regard to civil service status. Mr. Young suggested the alternatives of effecting the reductions through normal attrition which continues at an adequate rate.

The President desired that a statement of all the proposals for the "package" be prepared for his consideration and final approval. General Persons pointed to the lack of coordination as yet with the legislative leadership on several of these proposals and it was agreed that he should undertake such coordination prior to any definitive adoption of the program.

The President later commented that the Administration would probably have to ask for some increase in appropriations but that much of the cost could be absorbed.

Security Officers - Chairman Young reported on a recent meeting of security officers of the departments and agencies concerning "the 2200" when the discussions leaked to the press in record time of less than two hours. He requested that each Cabinet member have a serious talk with his security officer concerning this item.

The Vice President pointed out that all security officers should be members of the new team and that no one inherited in the position should be continued. When Chairman Young indicated that the conference had involved 80 security officers, the President suggested that he should attempt to handle such critical problems with a much smaller group which would still be representative of the vast bulk of Government personnel.

Appearances at the Republican Congressional Secretaries Club - Cabinet members may find it particularly useful to meet with the Republican Congressional Secretaries Club (the Bull Elephants Club) to discuss matters of either general or specific interest.

~~CONFIDENTIAL~~

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By JHC NLE, Date 8-3-76

Congressional Relations - General Persons reported the concern of the legislative leaders in regard to last minute requests for legislation and their desire that such requests be presented in time for adequate consideration by the Senate and the House.

The President urged that every appropriate opportunity be utilized for effecting timely coordination with Members of Congress in regard to matters of interest to particular Committees or individual Members. He warned against presenting Congress with "full blown" proposals and he suggested particularly that consultation be had with regard to the closing of installations. Mr. Dodge assumed and the President agreed that certain matters should not be coordinated with Congress prior to determination of the Administration's position.

Congressional Requests for Information - The President noted the frequent Congressional requests to department heads for particular types of information with the result that individual determinations had to be made for lack of policy. He suggested that a basic statement of Administration policy on what information could be supplied might be prepared and be of use as a guide not only for the Administration but also for Members of Congress. Considerable bickering might be eliminated by this approach. The Attorney General agreed to attempt to develop such a statement.

Public Opinion - The Vice President reported on his trip to New England and the West Coast from which he drew the conclusions that the President's popularity is now higher than at the peak of the 1952 campaign, that there is a surprisingly favorable attitude toward the Administration in general, that a slight economic upturn is evident, and pessimism is not apparent even in Seattle, that the Bricker Amendment and "the 2200" are of only mild interest beyond the Eastern Seaboard, and that most people feel the President's program has produced the promised new look.

The President reported a personal survey he had made of 19 editors on a confidential basis and his gratification at the returns. He indicated that he would make a summary of the material available on a very confidential basis to Members of the Cabinet.

Secretary Benson reported similar opinions at farm meetings he recently attended and he suggested that there were more jitters in Congress than among farmers with respect to the farm program.

The President concluded the meeting with a humerous report of a letter sent to Chairman Hall, with carbon copy to Mrs. Doud, in which the writer expressed disgust with the New Dealers of this Administration -- most prominent of which were the President and Secretary Humphrey.

LAM
Minnich

Distribution:
✓Mrs. Whitman
Mr. Rabb
Mr. Minnich

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

March 6, 1953.

CONFIDENTIAL

MEMORANDUM FOR CABINET OFFICERS AND FOR THE ADMINISTRATORS AND DIRECTORS OF THE EXECUTIVE AGENCIES

This note is to request that you exercise particular care to make certain of appropriate and timely consultation with Congressional leaders in all matters where this seems necessary or desirable.

On occasion papers are presented to me for signature when the time element demands instant action. In such cases there is no opportunity for my personal staff to undertake desirable consultations before I am compelled to sign. The only way to avoid the development of awkward and embarrassing situations is for the initiating authority to make sure of the attitude of Congressional leaders before the subject is submitted to me for action.

In those occasions when bipartisan action would seem desirable, I think that the best practice is to arrange for Democratic participation through the Congressional leaders of our own party. On all of these questions relating to the Congress, the advice, counsel and assistance of General Persons and his staff will always be available, if desired, to any member of the Administration.

I will appreciate your giving this matter your personal attention.

D. D. E.

CONFIDENTIAL

THE WHITE HOUSE
WASHINGTON

March 3, 1953.

CONFIDENTIAL

MEMORANDUM FOR CABINET OFFICERS AND FOR THE HEADS OF IMPORTANT EXECUTIVE AGENCIES.

This note is to request that you exercise particular care to make certain of appropriate and timely consultation with Congressional leaders in all matters where this seems necessary or desirable.

On occasion papers are presented to me for signature when the time element demands instant action. In such cases there is no opportunity for my personal staff to undertake desirable consultations before I am compelled to sign. The only way to avoid the development of awkward and embarrassing situations is for the initiating authority to make sure of the attitude of Congressional leaders before the subject is submitted to me for action.

In those occasions when bipartisan action would seem desirable, I think that the best practice is to arrange for Democratic participation through the Congressional leaders of our own party. In this kind of question the advice, counsel and assistance of General Persons will always be available, if desired, to any member of the administration.

I will appreciate your giving this matter your personal attention.

D. D. E.

CONFIDENTIAL

FOR CABINET MEETING - TO BE RETURNED BEFORE LEAVING MEETING

Budget Considerations in Connection with Pay and Benefit Proposals

1. The general order of the cost figures for the adjustments being considered is in the neighborhood of 4% of payroll made up approximately as follows:

Post Office Department field force		$80 million
Classification schedule		
Defense Department (civilian)	$71.6 million	
Crafts, protective & custodial (other)	3.1 million	
Classified (other)	78.5 million	
		153.2 million
		$233.2 million

2. The proposed changes should lead to better and more efficient operations through better rewards for good work, attraction and retention of a higher type of personnel.

3. However, if the Administration's position of a budget deficit of under $3 billion with balanced cash income and outgo - which was not easily attained - is to be maintained for fiscal year 1955, proposals should go down to the Congress with either offsetting savings or proposals for increasing revenue.

4. Adoption of such a basis would also aid in discouraging the adding of flat across-the-board increases to the bill.

5. An Administration position of no additional net budgetary cost for these adjustments would probably help in meeting the general public opinion outside of Washington that it is not the time when people generally outside of government can expect any increases and that most government employees are on a pretty good basis competitively with non-government workers.

6. As regard to postal employees, there should be offsetting savings in the long pull, but for 1955 the only solution seems to be some form of further boost in revenues to cover any additional costs for higher pay put on the Post Office Department.

7. With regard to the Defense Department, Secretary Wilson and Mr. Hannah had both said they could absorb increases up to 5% with no increase in budgetary cost.

8. With regard to other categories, increased costs should be absorbed in total. They may not be reasonably absorbed in each separate category of the budget although this should be the goal with some extra absorption in a few places to offset other classifications where the full amount could not be met. It is recognized that effective absorption may require consideration of greater flexibility in R.I.F. operations perhaps for a limited period or in certain areas or with other particular limitations within which flexibility is permitted.

9. The records show that in the case of the last two general increases the percent covered without additional appropriations was as follows:

	1949	1952
Department of Defense (Mil)	100%	100%
Post Office	2%	7%
All other	65%	44%
Total	45%	45%

Since the Post Office represented about two-fifths of the total in each case their low absorption brought down the average sharply.

10. It is understood, of course, that the above relates to the Administration position. If Congress did not accept the proposed viewpoint the addition to the budget total should of course be its action.

Benefit Proposals

11. There are two items now being actively considered by the special committee which involve known substantial costs. These are the health insurance proposals for which there is a present rough estimate of the direct government contribution to insurance cost of about $52 million, and the group life insurance proposals for which there is a present rough estimate ranging from $15 to $25 million for the government's contribution (depending on how much is to be charged to employees for their share.)

12. There is also a proposal of the Civil Service Commission to transfer some 69,000 employees out of the classified Crafts, Protective and Custodial schedule to Wage Board administration. The bulk of the class to which these employees belong now have their salaries fixed by Wage Boards. The estimated adjustment in pay involved in the change is about $35 million.

13. The only other item being considered which probably involves substantial costs is the proposal relating to overtime. So far we have not been able to get even rough estimates of the amount of extra cost involved in these proposals.

14. This memorandum does not cover the proposals of the Kaplan Committee concerning the pension plans, although it has been estimated that if the proposals for group life insurance considered in this memorandum are adopted probably there would be no additional cost net to the government as a result of the Kaplan proposals.

15. Adoption of the principles outlined earlier in this memorandum for pay increases should also cover these additional benefit costs.

The total cost of both the pay increases and benefit proposals listed above is estimated to be still within the general range of 4% of the payroll.

Total payroll in 1955 budget exclusive of military....$9.625 billion

Estimated cost outlined above

Pay proposals.	$233	million
Health insurance	52	"
Group life insurance, maximum	25	"
Transfers to Wage Board.	35	"
Overtime.	?	
Total	$ 345	million

which is about 3.6% of above payroll

Ann —

This one is in some fashion "Confidential" Cabinet did not carry copies away.

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE

~~THE FEDERAL SECURITY ADMINISTRATOR~~

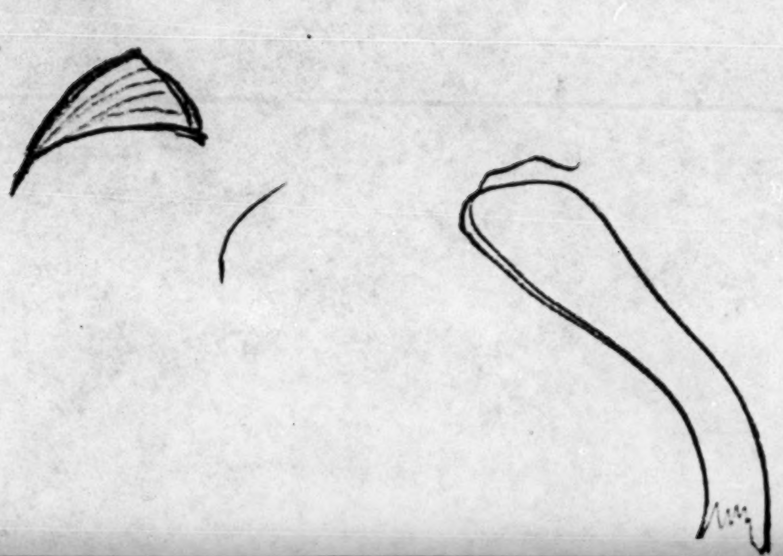
WASHINGTON

February 16, 1954

MEMORANDUM FOR THE PRESIDENT AND THE CABINET

From: The Secretary
Department of Health, Education and Welfare

Subject: Federal Participation in Voluntary Pre-Payment by Federal Employees for Hospitalization and Medical Care.



February 15, 1954

FEDERAL PARTICIPATION IN VOLUNTARY PRE-PAYMENT BY FEDERAL EMPLOYEES FOR HOSPITALIZATION AND MEDICAL CARE

I. INTRODUCTION

The Department of Health, Education and Welfare, after confidential consultation with a group of insurance executives (list attached), including Blue Cross and Blue Shield, recommends the following outline of a Government plan for prepaid hospitalization and health services for its employees. There was substantial concurrence by the insurance executives in the plan set forth below.

II. FEATURES OF PROPOSED PLAN

A. Purpose

1. To maintain a high level of health and productivity for Government civilian employees.

2. To recognize a responsibility which is rapidly becoming accepted by large numbers of private employers.

3. To encourage the prevention of illness and to stimulate greater protection against distress caused by chronic and other expensive illnesses.

B. Basic Elements

The following kinds of protection and service would be involved in a genuinely comprehensive medical care program for Government employees over and above the presently authorized program of preventive health services for employees in Government establishments:

1. Hospitalization. (Approximate cost -- $12 to $18 per year per single person.)

2. Surgical benefits. (Approximate cost -- $8 to $12 per single person per year.)

3. Medical and related benefits in connection with hospitalization. (Estimated cost -- $3.00 to $6.00 per single person per year.)

4. Medical care -- office calls, home visits, etc. (Approximate cost -- $20 to $40 per single person per year.)

5. "Major medical expense" (i.e., catastrophic illness) insurance. (Range of cost $4.20 to $33 per single person per year.)

C. Recommended Government Approach

Both because of the cost and the lack of facilities in certain areas, it is not recommended that all of these elements of protection and service be afforded to each individual in the initial Government program. Rather, it is suggested:

1. That a hospitalization and prepaid medical care program be based on the two premises of (a) payroll deduction and (b) 50-50 sharing (up to a specified limit) of the premium costs for each individual employee.

2. That employees will be given the opportunity to purchase family policies at specially advantageous group rates and pay personally--through the payroll deduction plan--the difference between the single premium rate and the family rate.

3. That instead of a uniform national plan applicable to all employees, the program be made flexible so that there can and will be reasonably homogeneous groupings of employees and variations in plans among the different groups.

4. That the administering agency determine the appropriate groupings and be required to obtain employee wishes within each of the groupings as to preferred types of service and protection before negotiating contracts.

5. That each employee be given a choice among two or three alternative types of contract covering the various services selected. This is to avoid forcing all employees in certain areas either into or out of such organizations as Group Health Association.

6. That the Government should establish the limit of its commitment by writing into the law a dollar maximum contribution per employee per year.

7. That the maximum Federal contribution per employee per year be set at approximately $26. This is one dollar per pay day. This would permit such combinations as:

(a) Hospitalization
Surgical benefits
Prepaid medical care

(b) Hospitalization
Surgical benefits
In-Hospital medical
Major-medical expense

8. $26 per year per civilian employee would mean $52 to $60 million per year as a Federal commitment. It is estimated that administrative costs of making the payroll deductions and payment to the insurance carriers may run $2 to $3 more per person per year, or $4 to $6 million per year. General administration might run another $1 to $2 million. The aggregate for a total program--without counting savings and "absorption" by the departments and agencies (see paragraph 11, below), would be $57 to $68 million per year.

9. That the Civil Service Commission, with a suitable advisory committee, be the administering agency.

10. That the law be written to give the Civil Service Commission broad authority to establish regulations and policies, rather than trying to write out detailed specifications in the law; e.g., the Civil Service Commission should determine the procedure by which contracts are to be awarded to insurance carriers, rather than trying to write this into law.

11. That the law authorize all "Salaries and Expense" appropriations be available to defray the costs of the hospitalization and medical service aspects of this program. This would spread the costs throughout all the Departments and Agencies and make it likely that the cost would be partially or totally absorbed by many agencies. It would make unnecessary the submittal of any large supplemental appropriation during this calendar year. It would, however, be necessary to obtain at the outset of the program and each year thereafter an appropriation to the Civil Service Commission for administrative expenses.

D. Administrative Problems

Many administrative problems remain to be worked out, such as:

1. What are the most desirable groupings of Federal employees for the development of group policies?

2. What is to be the method of awarding contracts to particular carriers? (This would presumably be done by the Civil Service Commission, as the administering agency, or by various departments and agencies through delegation from the CSC.)

3. How can transferability clauses be developed so that all employees can be assured of continued coverage when they move from one locality to another?

These and other questions require careful advance planning. However, unless some unforeseen obstacle arises, these administrative problems do not appear insuperable.

ADVISORY COMMITTEE OF INSURANCE EXECUTIVES

C. Manton Eddy, Chairman
Connecticut General Life Insurance Co.

James E. Stuart
Blue Cross

William S. McNary
Blue Cross

Henry Beers
Aetna Life Insurance Co.

Henry Smith
Equitable Life Assurance Society

Dr. Charles Hayden
Blue Shield

Jarvis Farley
Massachusetts Indemnity Insurance Co.

H. Louis Rietz
Lincoln National Life Insurance Co.

THE WHITE HOUSE
WASHINGTON

1. Announcement of New Unemployment Estimates. (Secretary of Commerce)

It would be appreciated if you could call this item first on the agenda.

Max Rabb

THE WHITE HOUSE
WASHINGTON

Cabinet Meeting
February 16, 1954

Announcement of New Unemployment Estimates.
(Secretary of Commerce)

It would be appreciated if you could call this item first on the agenda. Time is of the essence in connection with announcing this matter. In view of today's developments, it has been suggested that we give priority on the day's business to this matter.

Max Rabb

(Memo to the President, 2/16/54)

SPECIAL REPORT ON AGENCY USE OF SCHEDULE C POSITIONS

AS OF JANUARY 15, 1954

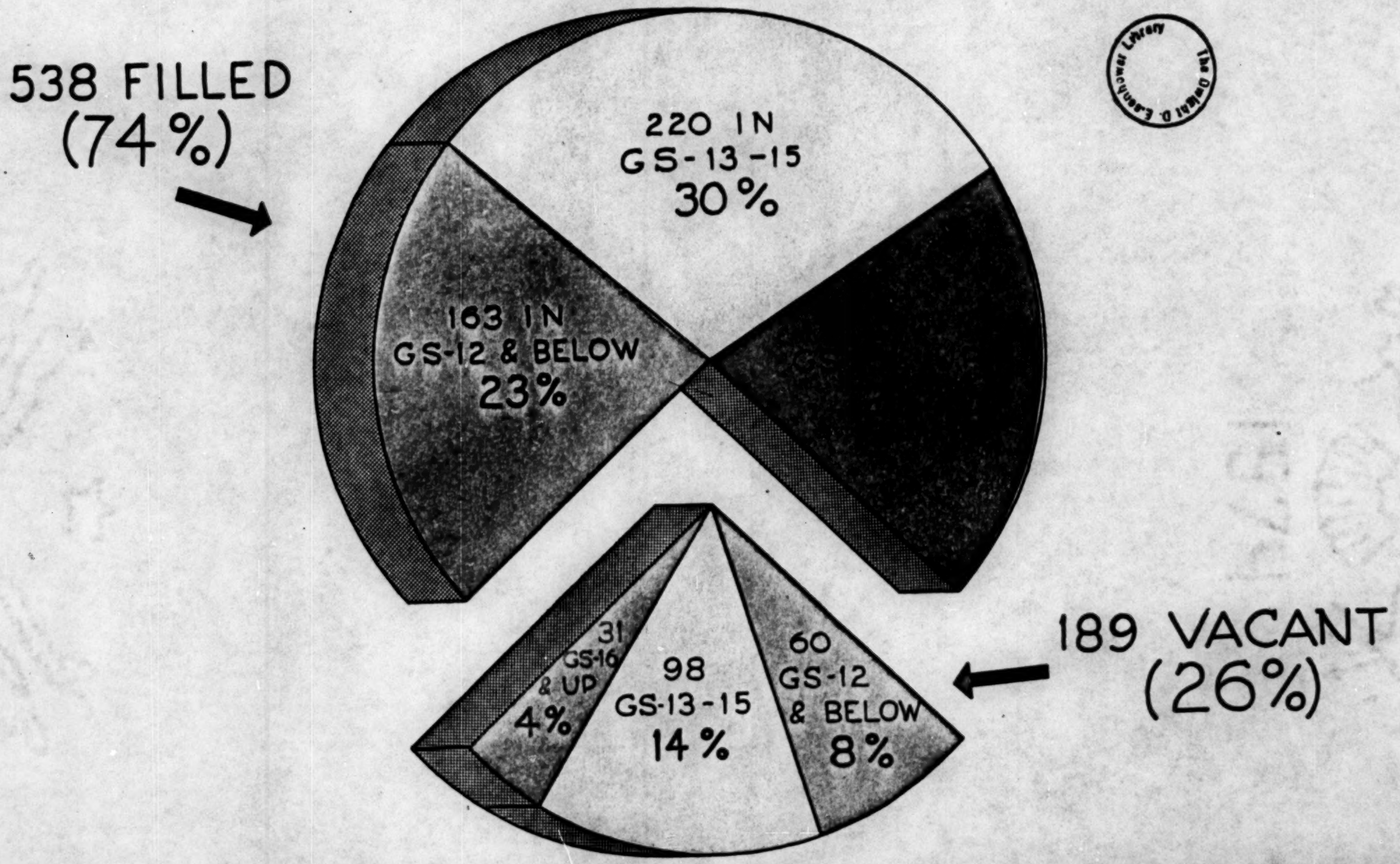
Philip Young, Chairman
United States Civil Service Commission

TABLE SHOWING FOR EACH AGENCY THE USE MADE OF SCHEDULE C POSITIONS APPROVED AS OF JANUARY 15, 1954 AND THE REMOVAL RIGHTS OF PRESENT INCUMBENTS

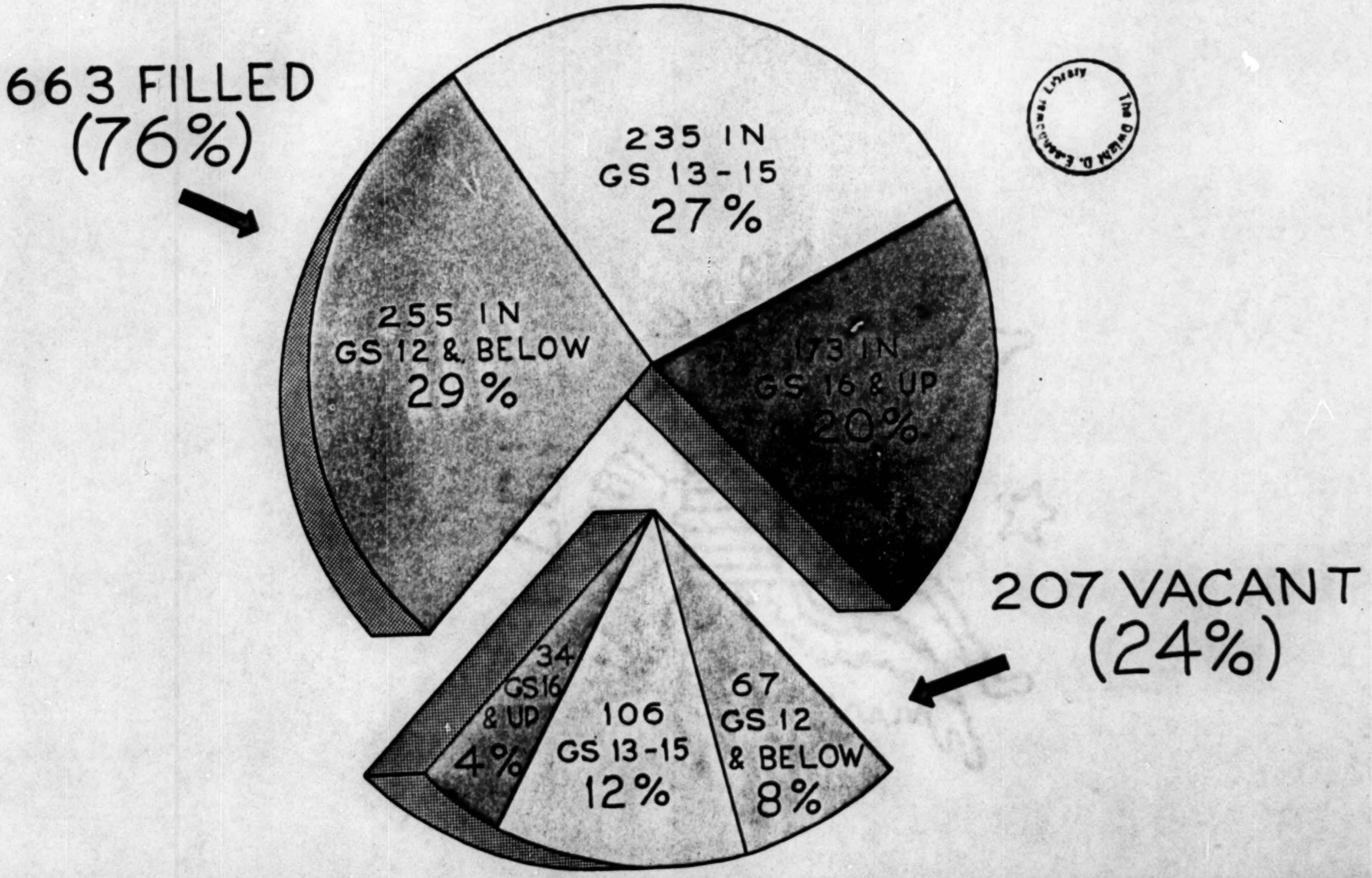
Agency	Total Sched C	Total Filled	Total Vacant	Grade Levels						How Filled			Removal Rights			
				Filled			Vacant			Incumbent Retained	New Incumbents		Retained Incumbents		New Incumbents	
				Thru GS-12	GS-13-15	GS-16	Thru GS-12	GS-13-15	GS-16		From other Fed. Pos.	From Outside Govt	Vet Pref	None	Vet Pref	None
Agriculture	93	66	27	17	21	28	3	16	8	43	16	7	17	26	3	20
Commerce	89	62	27	34	11	17	10	14	3	27	16	19	6	21	11	24
Defense	25	23	2	18	2	3	0	0	2	8	12	3	2	6	6	9
Health, Education & Welfare	18	14	4	5	6	3	0	1	3	3	3	8	1	2	4	7
Interior	90	62	28	9	42	11	11	17	0	37	6	19	19	18	13	12
Justice	112	91	21	17	61	13	7	14	0	81	3	7	31	50	3	7
Labor	37	27	10	10	6	11	3	6	1	25	2	0	10	15	1	1
Post Office	9	9	0	3	6	0	0	0	0	1	1	7	0	1	4	4
State	102	75	27	29	28	18	7	18	2	60	8	7	14	46	1	14
Treasury	21	13	8	6	3	4	1	5	2	10	0	3	4	6	0	3
Air Force	18	9	9	6	0	3	4	0	5	3	2	4	1	2	1	5
Army	13	5	8	3	1	1	5	0	3	3	1	1	1	2	1	1
Federal Civil Defense	16	13	3	5	1	7	2	0	1	6	7	0	3	3	1	6
Housing and Home Finance	43	36	7	2	20	14	1	5	1	29	3	4	16	13	3	4
National Labor Rel. Bd.	17	16	1	7	7	2	0	1	0	15	1	0	1	14	0	1
National Mediation Bd.	36	32	4	32	0	0	4	0	0	32	0	0	2	30	0	0
Navy	14	9	5	4	5	0	1	4	0	5	3	1	2	3	4	0
Other Independent Agencies (14 or fewer Schedule C positions)	117	101	16	48	15	38	8	5	3	61	21	19	12	49	20	20
TOTALS	870	663	207	255	235	173	67	106	34	449	105	109	142	307	76	138

727 SCHEDULE C POSITIONS APPROVED

(NOVEMBER 1, 1953)



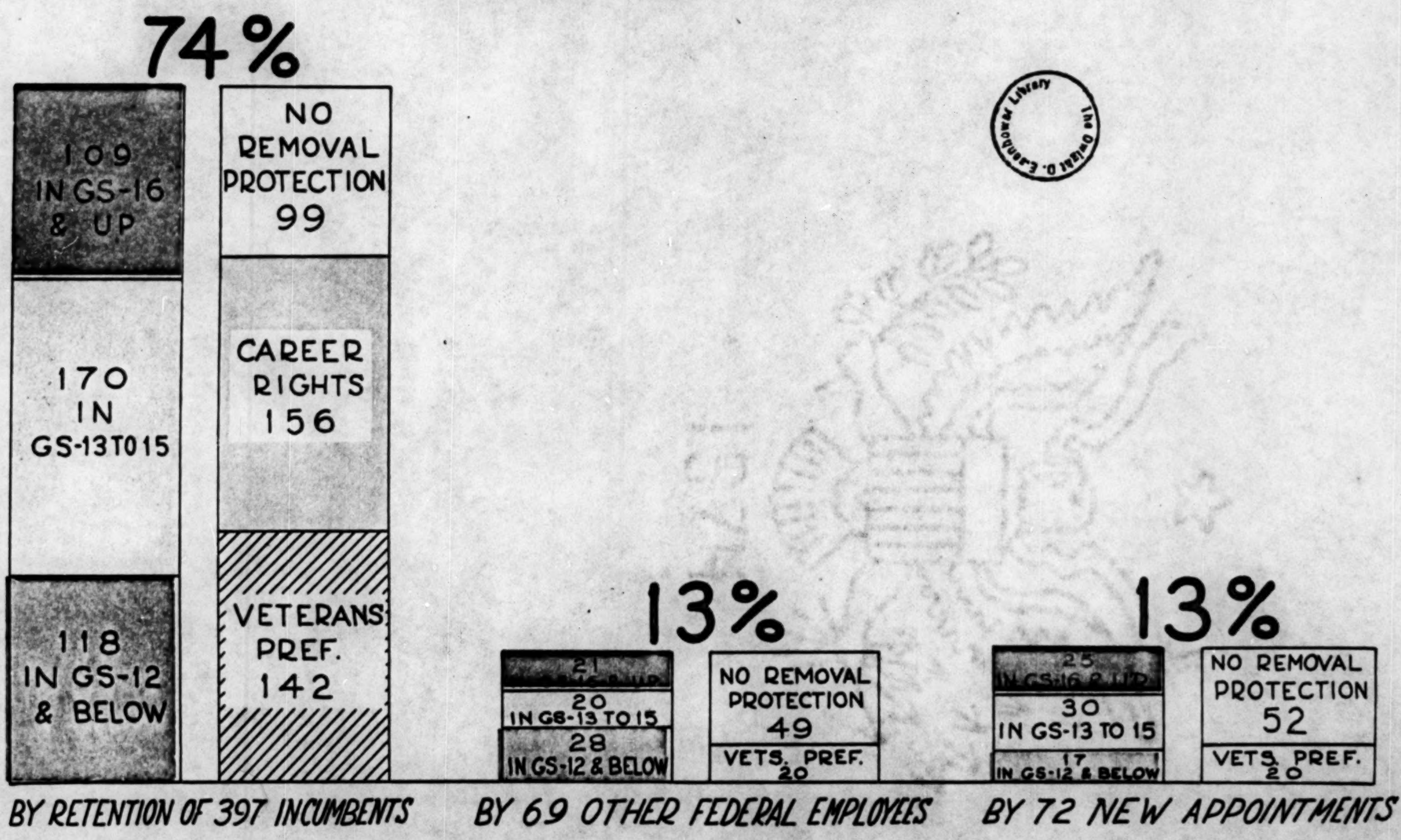
870 SCHEDULE C POSITIONS APPROVED
(JANUARY 15, 1954)



HOW SCHEDULE C POSITIONS HAVE BEEN FILLED

TOTAL FILLED 538

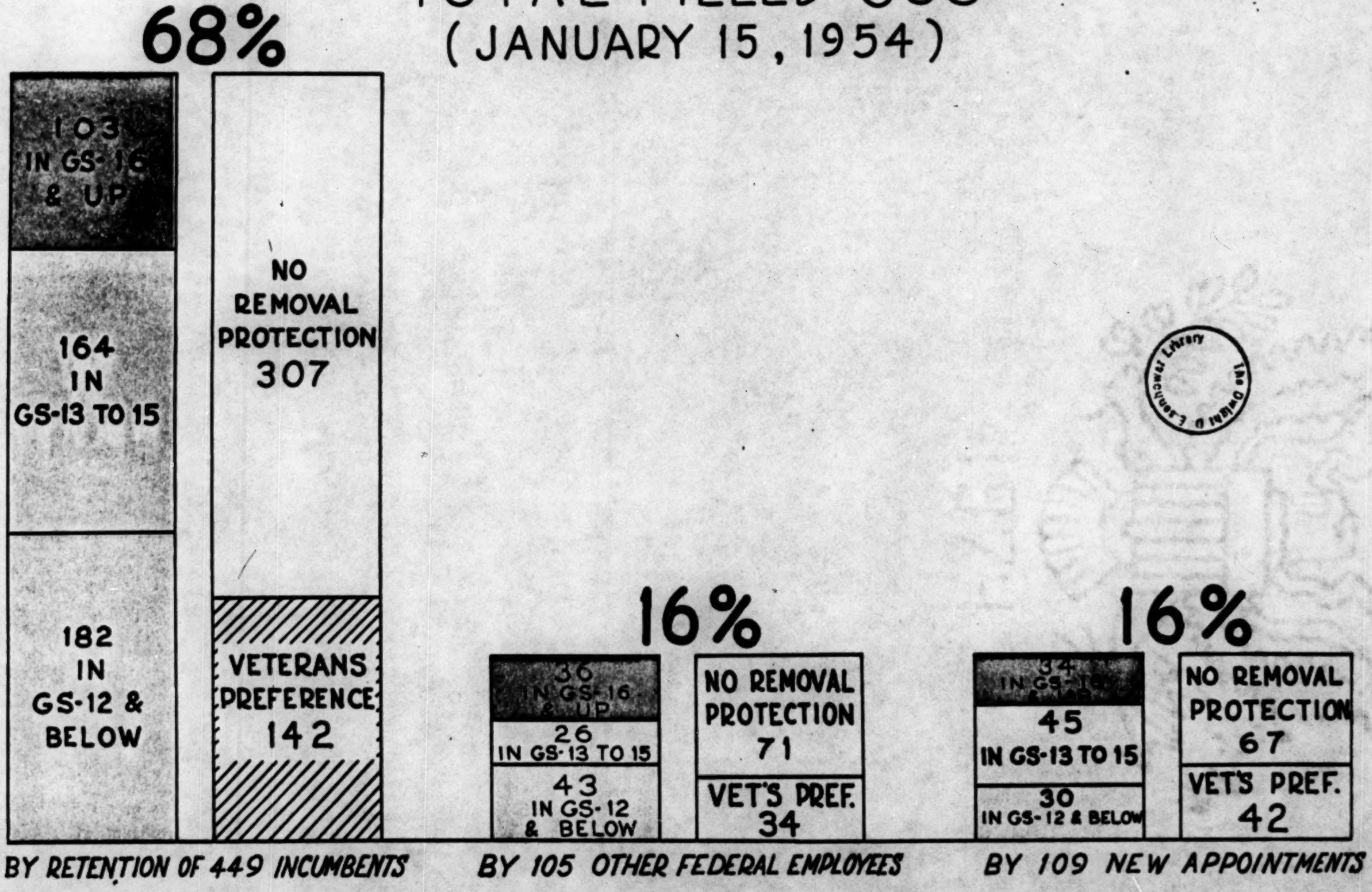
(NOVEMBER 1,1953)



HOW SCHEDULE C POSITIONS HAVE BEEN FILLED

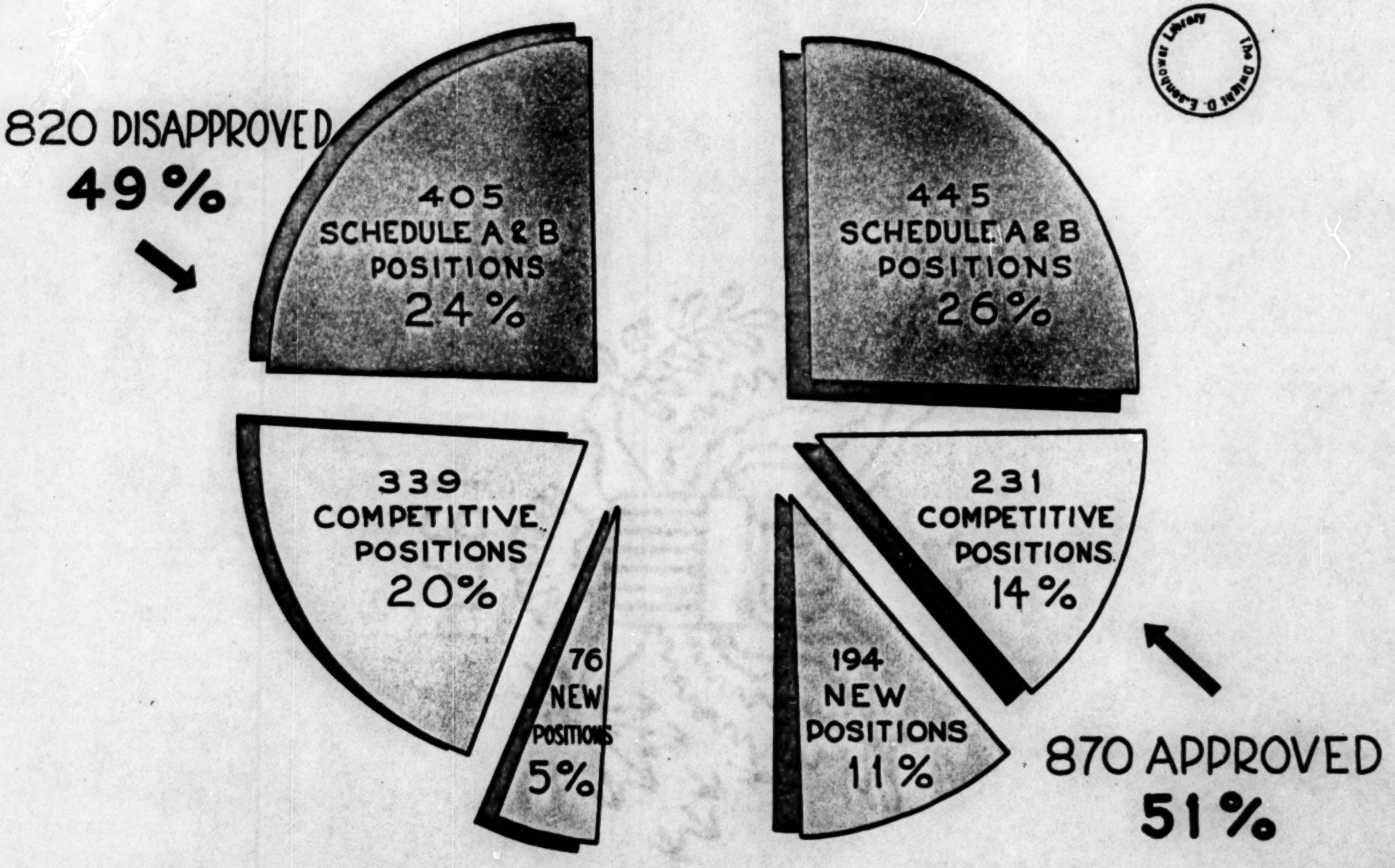
TOTAL FILLED 663

(JANUARY 15, 1954)



1690 SCHEDULE C POSITIONS REQUESTED

(JANUARY 15, 1954)



The President

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, February 26, 1954

1. Consideration of the Randall Report. (Mr. Randall)

2. Plan for Re-insurance Under Voluntary Health Insurance Plans. (The Secretary of Health, Education and Welfare)

3. Federal Aid for School Building Construction. (The Secretary of Health, Education and Welfare)

4. Delay in Return of Draft Letters to the White House from Departments and Agencies. (Governor Adams)

5. Observations Regarding Caracas Conference. (The Secretary of State)

Manhattan N.Y.

MINUTES OF CABINET MEETING

February 26, 1954
10:10 A. M. to 12:25 P. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles, and Under Sec. Smith
Sec. Humphrey
Deputy Sec. of Defense Kyes
    (for Sec. Wilson)
Attorney General Brownell
Postmaster General Summerfield
Sec. McKay
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Hobby, Under Sec. Rockefeller,
    and other assistants

Director Dodge
Mr. Flemming
Deputy Director of FOA Wm. M. Rand
    (for Gov. Stassen)
Chairman Young
Amb. Lodge
Hon. Clarence B. Randall
Gov. Adams
Gen. Persons
Mr. Rabb
Gen. Cutler
Dr. Hauge
Mr. Jackson
Mr. Shanley
Mr. Minnich

Randall Report - Mr. Randall commented on the procedures of the Commission on Foreign Economic Policy, and emphasized the rapidity of the intensive study and also the unity of most of the members despite the publicity concerning the dissent of a few. He then reviewed the most significant items in the report. He concluded with an expression of hope that action would soon be taken while great public interest exists and that the report itself would be the basis for Administration recommendations to Congress. The President assured him that such was the case, although there was of course room for Cabinet members to discuss constructively the recommendations to be made. He praised the leadership and efficiency exhibited by Mr. Randall in accomplishing the report. Mr. Dodge reported comments which he described as the finest ever heard during his twelve years experience in Washington.

It was pointed out that Mr. Randall would be available periodically for discussions with Cabinet members and assistants, and that it was most important for departments to submit their contributions to the forthcoming Message by March 15th. The President added that negative reports should also be submitted when a department determines that it will have no comment.

(During the course of this discussion Mr. Dulles left the room and his place was taken by General Smith. Mr. Randall and Dr. Hauge left the meeting at the end of this item.)

Health Insurance - Federal Re-insurance Fund -- Mrs. Hobby, with the assistance of Dr. Keefer (Special Assistant for Health and Medical Affairs) and Mr. C. Manton Eddy (connected with a Connecticut insurance firm) reviewed the growth of various forms of health insurance, pointed out the need for extension of coverage and increase of benefits, and proposed that the Federal government undertake to set up a Re-insurance Fund which would be available to private commercial and non-profit organizations on a voluntary basis. They also proposed that the Federal government undertake a program of collecting and analyzing information in this field. The purpose of these proposals, as they pointed out, is to encourage private insurance organizations to experiment with extension of services which they would otherwise hesitate to undertake because of risks involved.

With only minor comment concerning the potential effectiveness of the program, the Cabinet approved these proposals.

(Secretary Benson left the meeting during this discussion.)

Federal Aid to School Building Construction - Mrs. Hobby with the aid of Mr. Samuel M. Brownell, Commissioner of Education, reviewed Administration policy as expressed in the State of the Union Message and indicated the increasing Congressional interest for Federal grants to the States at this time rather than awaiting completion of the State and White House Conferences. Mr. Brownell presented charts showing the urgent need for school construction which reaches a cost of some $10 billion. He pointed out the several complications in the States and localities which retarded action there and he emphasized the lack of information as to how much the States are able to accomplish by themselves. Both Mrs. Hobby and he emphasized that any suggestion of Federal aid in the near future would probably result in postponement of action by the States, and they recommended that the Administration policy not be changed at this time.

(Mr. Dulles returned, and General Smith departed at this point.)

This matter raised again the question as to how it is possible to determine what the relative needs of the several States really are. Ambassador Lodge commented that any Federal legislation at this time would revive the old controversies concerning racial discrimination and parochial schools. Mrs. Hobby indicated that some States, such as Mississippi, have exceeded all expectations in their ability to undertake a school construction program when they develop a real desire to do so.

Mr. Flemming queried whether a study was under way by the Federal government to develop a formula for grants to the States should a determination for Federal aid eventually be made, and Mr. Brownell indicated that such a study would be a first item for the proposed Educational Advisory Committee.

Governor Adams ascertained from Mr. Brownell that the situation seems to be deteriorating since enrollments are increasing faster than school construction, and he suggested that Mrs. Hobby attempt at the Governors Conference to enlist the support of the Governors for corrective action. Mrs. Hobby agreed. Secretary McKay commented that the effort would probably draw considerable support.

Secretary McKay also pointed to the existing Federal responsibilities for the education of Indians and he noted the need for budgetary provision of $12 million to correct the bad situation with respect to the Navajos of whom some 15,000 never go to school.

The Cabinet agreed that there should be no change of policy at this time.

White House Correspondence - Governor Adams urged that every effort be made to hasten the return to the White House of correspondence submitted to the departments and agencies for draft of reply.

Inter-American Conference at Caracas - Secretary Dulles stated that the major interest of the Latin American countries at this conference would concern economics whereas the chief U.S. interest is to secure a strong anti-Communist resolution which would recognize Communism as an international conspiracy instead of regarding it merely as an indigenous movement. With this objective Secretary Dulles hoped he might give them certain economic reassurances, and he suggested in this respect that no action be taken with regard to wool imports until Congress acts on the pending Presidential proposal and that no attempt would be made to establish controls over the price of coffee. He was reassured on these two points.

Ambassador Lodge called attention to the continued strong support given by our Latin American allies in the United Nations, particularly when European allies have vacillated on important questions such as the Korean Resolution last fall.

Secretary Dulles called attention to pending legislation concerning loans to Latin American countries and he emphasized the desirability of effective action to halt the growth of Communism in South America at this time rather than delaying until a situation develops similar to that in China in the 1940's when American aid was too late.

The President called attention to the remarks made by Mr. George Meany in a recent conference with respect to the Mexican labor situation. Mr. Meany was very much opposed to existing policies which allow a great illegal influx of labor. In a lengthy discussion Secretaries Dulles, Humphrey and Mitchell, and Mr. Brownell reviewed the complexities of the situation. Mr. Brownell stated that the border could be protected at a cost of $15 million. The President stated that the United States certainly had the right to protect its borders. Mr. Dodge doubted that $15 million worth of fences and scattered patrols would be sufficient to protect the border and a comparison with the Russian iron curtain proved inconclusive. It was recognized that some United States citizens were encouraging illegal entry and also that the attraction of earning American dollars was inducive to laxity by the Mexican Government.

Secretary Dulles urged that the United States not act unilaterally with regard to border protection. Mr. Brownell believed that should the Administration merely obtain from Congress the fiscal power to guard the border, then it would have some bargaining power in discussions with Mexico for reaching an agreement.

The President cited the folly of spending vast sums of money for developing mechanisms for detecting atomic bombs, for guarding the Port of New York, for enforcing the Immigration Act, etc., when the long Mexican border lies open.

Mr. Dulles again emphasized the need for maintaining cordial relations with Mexico and for avoiding any difference in treatment as regards Canada and Mexico. Mr. Humphrey suggested that Secretary Dulles undertake further discussions with Mexico to indicate that the United States will have to act unilaterally should greater cooperation not be forthcoming.

LAM
Minnich

Distribution:
✓Mrs. Whitman
Mr. Rabb
Mr. Minnich

MMR/LAM/ld

March 2, 1954

PERSONAL AND CONFIDENTIAL

Dear Secretary Dulles:

Attached is a resume of the remarks made by Mr. Clarence Randall at Cabinet meeting last Friday.

It may be useful to you as an aide-memoire of that discussion or for other related purposes.

Sincerely,

Maxwell M. Rabb

Honorable John Foster Dulles
Secretary of State

Enclosure

Above letter and copy of Mr. Randall's resume 2/26/54 sent to:

1. Hon. Richard M. Nixon, The Vice President of the United States
2. Hon. John Foster Dulles, Secretary of State
3. Hon. George M. Humphrey, Secretary of the Treasury
4. Hon. Charles E. Wilson, Secretary of Defense (and Deputy Sec. Roger M. Kyes)
5. Hon. Herbert Brownell, Jr., The Attorney General
6. Hon. Arthur E. Summerfield, The Postmaster General
7. Hon. Douglas McKay, Secretary of the Interior
8. Hon. Ezra Taft Benson, Secretary of Agriculture
9. Hon. Sinclair Weeks, Secretary of Commerce
10. Hon. James P. Mitchell, Secretary of Labor
11. Hon. Oveta Culp Hobby, Secretary of HEW
12. Hon. Joseph M. Dodge, Director, Bureau of the Budget
13. Hon. Arthur S. Flemming, Director, Office of Defense Mobilization
14. Hon. Harold E. Stassen, Director, FOA (and Deputy Director William M. Rand)
15. Hon. Philip Young, Chairman, Civil Service Commission
16. Hon. Henry Cabot Lodge, Jr., US Representative to the United Nations, 224 E.O.B.
17. C. D. Jackson
18. Gen. Cutler

THE WHITE HOUSE
WASHINGTON

Resumé of Presentation to the Cabinet by Clarence B. Randall concerning Report of the Commission on Foreign Economic Policy, Friday, February 26, 1954

At the suggestion of Secretary Humphrey, I have dictated from memory the following resumé of what I said when I was privileged to appear before the Cabinet on Friday, February 26, in order that it might be available to those present as an "aide-memoire":

Mr. President and members of the Cabinet, may I say first of all that I bear no ill will toward any member of the Cabinet present who may have had a part in pitchforking me into this boiling caldron? It has been a richly rewarding experience, but one of the most baffling imaginable. Not only was the subject matter very complex and the time schedule incredible, but the human relations involved extraordinary.

Here was a Commission made up of seventeen members, ten from the Congress and seven appointed by the President, many of whom came to the work locked in with postures which they had maintained for years.

I refresh your memory as to the time schedule. The law was passed on August 7, and the last member appointed on August 22. We organized on September 22, following a delay that was unavoidable.

The Administration asked me to complete a mission to Turkey, for which I was committed before I was appointed to the Commission, four other members of the Commission were out of the country, Senator George was ill, and the various members of the Congress had but just returned to their districts.

After organizing, we completed our job in exactly four months, for I delivered our Report to the President on January 23. In that period of four months time the Commission held twenty-eight meetings, with an average attendance of twelve, which may be taken as an indication of the extent to which this Report became in fact a group document.

The highlight of that period was the trip to Paris. Twelve members participated. In the four days that we were in Paris we heard twenty-eight top-level witnesses for forty-five minutes each, drawn from among the leaders of our own diplomatic representatives, and those of other citizenship who occupied the top places in the international organizations referred to in our statute.

When our Report was filed, the press built their stories around the dissents, because controversy is always newsworthy. It seems to me, however, that this misses the whole point of the Report. Our strength lies not in our differences, but in our unity. Take the tariff, for example. We stood fourteen to three. Or take the opinions of the seven Presidential appointees. We were drawn from all parts of the country, from management, banking, the professions, and labor, and yet we stood shoulder to shoulder, having no strong difference of opinion on any substantive point throughout the entire Report. This is a fact which a Republican administration should keep in mind, in my opinion.

Now for the Report itself.

The introduction endeavors to give a philosophical tone to the Report. We say that since our domestic economy is the strongest in the world we should determine what it is that makes it strong and apply those principles in the field of foreign economic policy. We assert that our domestic economy is strong because it adheres to three principles: reliance on individual initiative and private resources, competition, and the free market. Those three principles run through the Report.

We then negative the prevailing fallacy that the dollar gap is disappearing and say that in our judgment it is on the order of at least three billion dollars per year.

To ascertain how this may be closed we first discuss economic aid. We ask that economic aid, as that term is presently understood, be terminated as soon as possible. We say there should be no disguised or concealed economic aid. Offshore procurement, for example, should be based solely on what constitutes a sound procurement policy, plus such consideration as must be given to the strategic location of production facilities. Where our own security requires us to ask a nation to assume a military burden that is beyond its capacity, we agree that this should be done by economic grants. But in whatever other circumstances financial assistance might have to be extended to a foreign country for political or other reasons, it should be done solely on a loan basis. We give our blessing to technical assistance, whether direct, or indirect through the United Nations, provided it does not include capital investments.

We then take up the subject of promoting the flow of investment capital abroad. We ask our diplomatic representatives to advance the concept of private business as distinguished from governmental activity. We believe the antitrust laws should be clarified so that American firms may know whether compliance with the laws of a foreign country subjects them to prosecution at home. We say that the best incentive which can be given to cause investment capital to move abroad is to be provided through our tax laws, and we ask that the tax on income earned from foreign sources be reduced by 14 percentage points. We then say the so-called "over-all" limitation should be removed. We recommend that American corporations be permitted to elect whether to operate as a branch or a subsidiary in a foreign country without tax penalty. As to investment guarantees, we say that the trial period has not been too satisfactory, but because there is still interest in the subject we recommend that the trial period be continued for a while, and that insurance against war and insurrection be added.

We take a bold position in agriculture and insist that our domestic policy and foreign policy must be harmonized in this field. We say that inflexible price supports are price fixing, and that sound foreign economic policy cannot be formulated with vast American surpluses overhanging the world markets, maintained by inflexible supports. We do not advocate the withdrawal of all supports, but ask that the policy be realistic. I am not conscious of conflict, but should there be such, it is my position that the Message takes precedence over our Report.

We think less than nothing of international commodity agreements, but do not absolutely shut the door. We believe them to be in conflict with the principles that make our domestic economy strong. With respect to the development of our own resources of strategic commodities, we say that the tariff should be determined on economic grounds, and that the cost of maintaining such resources should be borne by direct payments, the amount of which is made clear to the public. In fact, we oppose all forms of indirect or hidden subsidy in every field.

We start our discussion of the tariff with a recommendation that the Buy American Act be amended to give the President authority to exempt from its provisions the bidders from other nations that treat our bidders on an equal basis with their own nationals. We ask that the Tariff Commission be given appropriate staff and directed to undertake immediately a study of all tariff schedules, looking toward the simplification of commodity definitions and rate structures.

We ask that the customs simplification program be carried forward aggressively and make certain detailed suggestions.

We recommend that the unconditional most-favored-nation policy be continued.

We ask that the organizational provisions of GATT be renegotiated and that the treaty be submitted to the Congress in order to eliminate the present source of friction between the Executive branch and the Congress as to delegation of authority.

We recommend that the Trade Agreements Act be extended for three years and that the President be given authority to negotiate on a multilateral basis new agreements by which there may be a 5% reduction per year for each of three years in rates as he so decides. This is gradual, and selective, not necessarily across the board, and all of the traditional procedures for hearings are to be preserved. If the President has exercised his present power as to a commodity, this is new authority; if he has not, this is a limitation.

As to any commodity which is being imported in negligible quantity only, we ask that the President be given power gradually over three years to reduce the tariff by 50%. Where the tariff on any commodity exceeds 50%, we ask that the President have power gradually over the three years to reduce it to 50%.

We advocate the retention of the escape and peril point clauses, but with the express provision that the President be authorized to set aside the findings of the Tariff Commission in such cases if, in his judgment, that is required by the national interest.

Mr. McDonald submitted to the Commission a proposal for governmental aid to workers, companies, and communities where a tariff reduction causes damage. The Commission rejected it sixteen to one, but included it in the Report for the information of the public.

In the field of international labor standards, we ask that our negotiators refuse to discuss any commodity which is produced under working conditions that are considered substandard by the standards of the country of origin itself.

We boldly advocate the resumption of trade in peaceful goods between the West and the East in Western Europe. We believe that this is the historical pattern of trade, and that with our own aid withdrawn we must not ask nations to become our friends and allies and at the same time impose upon them a limitation that reduces their standard of living. We also believe that trade is a proper medium for penetrating the iron curtain.

We ask that a top level determination be made as to what is required as a merchant marine to protect the security of our country and that in making this, consideration be given to the fleets of our allies. When so determined, we ask that such a merchant marine be maintained by direct payment, the amount of which is known to the public, and that all forms of indirect or concealed subsidy be terminated.

We ask that tourism be encouraged by the government and that the duty free exemption for each American citizen be increased from $500 to $1000 for each six months.

With respect to convertibility, we draw attention to the great importance of the problem, advocate the gradual approach, urge the International Monetary Fund to use its own resources more freely, and suggest that the Federal Reserve Bank enter into discussion with the central banks of other nations for standby credits. We emphasize that the decision upon the question of convertibility must be made by every nation for itself.

In conclusion, we ask that there be greater coordination in the field of foreign economic policy within the executive branch, and greater consistency in legislation passed by the Congress.

Such is the Report. In my opinion, it is America. So far as the thinking of our people can be determined, that is the most responsible voice that has yet spoken. I have canvassed carefully the vast amount of writing that has occurred in our press on this subject, and I am convinced that the whole nation is saturated with comment concerning it. The country awaits prompt and decisive action.

I venture the hope that no Cabinet member, either with respect to legislation or administrative policy, will take any action at variance with this Report until we have had a chance to discuss it. I recommend that prima facie the Report become the policy of this Administration, and that it be not deviated from except for strong cause.

C.B.R.
March 1, 1954

THE WHITE HOUSE
WASHINGTON

January 29, 1954

PERSONAL AND CONFIDENTIAL

Dear Governor Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet meeting:

Salary Increases - It was agreed that the Administration cannot under present circumstances support any proposal for a general increase in wages or salaries of Federal employees; and that the Subcommittee headed by Chairman Young should, after discussion at the next Legislative Conference, press a study of fringe benefits and pay-scale inequities with a view to developing a definitive program within sixty days.

The Cabinet approved the recommendations on postal wages and salaries as presented by the Postmaster General with the understanding that they will be modified so that the existing over-all ceiling on such salaries will not be exceeded. The Postmaster General will present his recommendations for discussion at the next Legislative Leadership Conference.

Sincerely,

Maxwell M. Rabb

Maxwell M. Rabb
Cabinet Secretary

Honorable Harold E. Stassen
Director
Foreign Operations Administration

February 26, 1954

MEMORANDUM

We have added Item No. 5, "Observations Regarding Caracas Conference", to the Cabinet Agenda at the request of the Secretary of State.

Max Rabb

MMR:gs

THE WHITE HOUSE
WASHINGTON

Write up memo
to indep. agencies
when necessary

memo 2/54

Randall Mtg

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, March 5, 1954

1. Senator Dirksen, Representative Richard Simpson, Mr. Hall, Mr. Bassett.

2. Report on Latin America.
(Dr. Milton Eisenhower and The Under Secretary of State)

3. Briefing of Presidential Appointees Prior to Appearance Before Senate Committees for Confirmation.
(Governor Adams)

4. Emphasis by Cabinet Members on Administration Program in Speeches and Writings.
(The President)

5. Current Status of Tax Legislation.
(The Secretary of the Treasury)

6. The Clarence Francis Appointment.
(Governor Adams)

7. Interim Report on Farm Legislative Program.
(The Under Secretary of Agriculture)

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By SHC NLE, Date 8-3-76

MINUTES OF CABINET MEETING

March 5, 1954

10:05 am to 12:15 pm

The following were present:

President Eisenhower

Vice President Nixon
Under Sec. W. B. Smith
(for Sec. Dulles)
Sec. Wilson
Sec. Humphrey
Mr. Brownell
Mr. Summerfield
Sec. McKay
Under Sec. Morse
(for Sec. Benson)
Sec. Weeks
Sec. Mitchell
Sec. Hobby

Director Dodge
Mr. Flemming
Gov. Stassen

Dr. Milton Eisenhower- after first item.

Hon. Leonard Hall)
Mr. James Bassett) first item only.
Sen. Dirksen)
Rep. Richard Simpson)

Gov. Adams
Mr. Shanley
Dr. Hauge
Mr. Harlow
Mr. Morgan
Mr. Martin
Mr. Jackson
Mr. Stephens
Gen. Cutler
Mr. Rabb

Congressional Relations - Chairman Hall noted the appointment of Mr. James Bassett as National Committee Director of Public Relations. Mr. Bassett then outlined his program to improve publicity measures for the Administration program and indicated that he would confer personally with each Cabinet member to develop proper liaison on such matters. He emphasized the need for positive publicity to replace rear guard actions.

Senator Dirksen noted the chief problems connected with the coming elections and emphasized patronage as the motive power for effective organizational support. He described the interest of local political leaders in being able to make recommendations for even minor jobs, and he stressed the embarrassment caused by continuation of postmasters from the opposition party in small towns and villages. He indicated, nevertheless, the reluctance of the Senate to initiate any legislation harmful to Civil Service. The President called attention to the need for dealing in specifics. Secretary Weeks and General Smith noted the opportunities for appointments in connection with temporary projects. Senator Dirksen pointed to the desirability of an effective system for reporting job opportunities which is now accomplished on a makeshift basis. Secretary Wilson spoke of the difficulty of giving effect to the good intentions of top officials in view of their being far removed from the working level.

Representative Richard Simpson reported the many complaints throughout the country with regard to continuation in office at lower levels of

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people whose major purpose is to undermine the Administration's policy and he reviewed several specific cases, one of which involved public speeches by an Interior Department employee in opposition to Administration policy and embarrassing to a Maryland Representative.

The President suggested the desirability of insuring that political speeches are not made by civil servants, no matter what their party. General Smith commented on Mr. McLeod's speaking program and emphasized that his speeches were directed solely to non-political matters. He also urged that the situation could be completely clarified by giving him formally through Senate confirmation the rank he now holds as "an equivalent". Representative Simpson also suggested that departmental "investigations" of open and shut cases presented by Congressmen really amounted to investigation of the Congressman himself.

It was agreed that Senator Dirksen and Representative Simpson should meet with the public relations and personnel officers of each department in the near future. The President indicated he would ask for a report on progress at the next Cabinet meeting.

The Vice President made the point that the events of September and October will dominate the election scene, and he suggested that Cabinet members and their principal assistants hold their speaking calendars open so that they might make the most profitable engagements after the situation for next fall is clarified.

US-Latin American Relations - General Smith presented a memorandum (copy attached) concerning a program for implementing the report by Dr. Milton Eisenhower on Latin American relations. He emphasized the desirability of obtaining Cabinet approval for it in time for Secretary Dulles to make appropriate announcement of it at the Caracas Conference.

Dr. Milton Eisenhower commented that the most important question facing the Cabinet was to make up its mind that Latin America is important to the United States, and he stressed that timely action was extremely desirable to prevent Communism from spreading seriously beyond Guatemala. He pointed out that a very small amount of governmental activity would serve to stimulate private initiative greatly and he specified three basic requirements on the Government: (1) Minor appropriation increases totaling $8 million for FY 1955; (2) a sound but well understood policy on loans as already developed by State and Treasury; and (3) determination to maintain stable trade conditions by preventing any new trade restrictions.

The Vice President questioned the item concerning development of the Inter-American Highway and suggested that work on it might be advanced in Guatemala despite the political situation there to prevent any sharp break in the usability of the highway. General Smith indicated that the highway is being built in small sections and that it seemed more desirable to make the first effort in countries friendly to the United States.

General Smith also stressed the desirability of improving relations with Panama by all possible means short of infringing on established treaty rights.

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In discussion of the need for supplemental appropriations, the President suggested that they would be secured more readily if a sound argument could be presented that the proposed increases would contribute significantly toward achieving United States objectives. Mr. Dodge noted the tactical problem of requesting supplementals while the basic appropriations are still under discussion. Governor Stassen offered to review the FOA program for the purpose of transferring funds (subject to Congressional approval) for financing the proposals in General Smith's memorandum. It was agreed that details of financing would be worked out by Budget, State, FOA, and Commerce.

It was also agreed that an announcement should be made at Caracas stating the Administration's purpose to use Dr. Milton Eisenhower's report as the basis for policy. No objection was made to the principles of the memorandum under discussion.

Dr. Milton Eisenhower called attention to a section of his report concerning stockpiling, wherein it was suggested (with several paragraphs of reservations) that the United States should undertake to stockpile desired materials in times of declining prices and that stockpiling rates should be increased.

Mr. Flemming noted the forthcoming report from the Stockpiling Subcommittee which will follow the lines suggested by Dr. Eisenhower. He stressed a new principle in it to the effect that the United States discount by 100% all foreign sources of supply during wartime and that present stockpile goals be increased to compensate for that discount.

The President expressed his gratification at such a method which would avoid last minute and ineffective actions. He added that in any event critical shipping facilities should not have to be utilized in wartime for transporting materials which could be stockpiled in advance.

General Smith called attention to the undesirability of pressing Colombia for payment of its Korean war debt since so many others have been written off. He noted that the Defense Department would prefer to postpone action with respect to Colombia until the outcome is known of an omnibus bill empowering the President to forgive all such debts.

The President commented on the necessity for the United States to be the arsenal in any war, and suggested that should the United States limit its monetary payments it might have to increase its payments in human lives. He referred to the Brazilian effort, financed by the United States, during World War II.

It was agreed that the Colombian Government should be told at Caracas that the matter would be held in abeyance until the omnibus bill is acted upon.

Briefing of Presidential Appointees - Governor Adams pointed to the need for Cabinet members to insure that Presidential appointees from their departments and agencies are briefed by appropriate Senate leaders prior

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to appearance before Senate Committees for confirmation. The White House Staff will so insure with respect to appointees to the independent agencies.

Emphasis of Administration Program - The President urged that Cabinet members focus some part of every speech and article on the positive aspects of the broad Administration program for creating a better, more prosperous and stronger United States. He noted that his own statement in regard to Senator McCarthy and Secretary Stevens conformed to this idea.

Tax Legislation - Secretary Humphrey reported on the plans for handling tax legislation in two bills -- one for excises and one for general revision and continuation of the 52% corporation income tax. He reported the schedule for action on the bills in the House and Senate, and he emphasized that a major fight would come on Senator George's proposal for increasing personal exemptions. He deplored the adverse effect of this amendment on efforts to balance the budget, for a $100 increase in exemptions would cost $2½ billion.

It was agreed that Chairman Dan Reed should be requested to attend the Monday Legislative Conference for a review of tactics to insure that the George amendment does not get added to the excise bill.

Congressional Liaison - Mr. Brownell was informed by Mr. Dodge that it is the responsibility of the department to conduct a liaison with the Senate for purposes of securing any restorations of funds cut from an appropriation by action in the House.

Surplus Agricultural Commodities - Dr. Hauge reported the appointment of Mr. Clarence Francis and outlined the plans for coordinating study and planning for disposal of agricultural surpluses. He indicated that Mr. Francis would get in touch with the departments particularly concerned and he suggested that other Cabinet members submit any suggestions they might have to Mr. Francis.

Agricultural Legislation - Under Secretary Morse reported on the status of agricultural legislation with emphasis on the progress of the measure for increasing the borrowing authority of the CCC and the hearings on the Aiken bill (S. 3052) which with two exceptions covers the Administration proposals. (The President was absent during discussion of this item.)

Unemployment Statistics - The Vice President suggested the need for offsetting the effects of the anticipated continued increase in unemployment statistics for the month of February. He predicted that the direct effect might be to increase pressure for the George income tax amendment. Secretary Humphrey added that protracted debate on tax legislation would cause a postponement of purchasing and thus impede recovery from the current slump.

Secretaries Weeks, Mitchell and Humphrey discussed some of the technicalities of the compilation of statistics, noting especially the duplication

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of studies. The President suggested the possible desirability of a thorough study on the amount of duplicated statistics such as had been carried out by the Army.

The President reported a comment which had come to him concerning the injustice of terminating the services of the lone wage earner of a family when both man and wife of another family are continued in their positions. Despite Secretary Wilson's comment about Civil Service requirements, the President felt that there might be great justice in some action to correct such a situation.

Minnich

Distribution
√Mrs. Whitman
Mr. Rabb
Mr. Minnich

March 5, 1954

Memorandum to: The President

Item 4. Emphasis by Cabinet Members on Administration Program in Speeches and Writings.

The recent developments relative to the Stevens affair and the Security Program have had the very unfortunate result of diverting attention from the Administration's program, which is exactly the result desired by the opposition.

It is respectfully submitted that this item will give the opportunity to stress the necessity for Members of the Cabinet at public affairs, press conferences, or on radio or TV, to speak on the Administration program in order to get the situation once again into proper focus.

Max Rabb

Report to the President

UNITED STATES-LATIN AMERICAN RELATIONS

the Department of State

Reprinted from the Department of State **bulletin**
of November 23, 1953

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United States–Latin American Relations

REPORT TO THE PRESIDENT

by Milton S. Eisenhower, Special Ambassador

NOVEMBER 18, 1953

DEAR MR. PRESIDENT:

At your direction, I have in recent months sought ways in which the traditional bonds of friendship between the United States and the nations of Latin America might be strengthened.

Early in April, 1953, you asked me to do three things:

First, to express to the governments and peoples of Latin America the sincere conviction of the United States that sound economic, military, political, and cultural relationships between our countries are necessary to our common future;

Second, to obtain a broad continental perspective of those conditions which affect the relationship of the United States with the republics of Latin America; and

Third, to consider what, if any, changes might be desirable in United States policies and programs in order to contribute to the meaningful unity we all desire.

During the month of May I consulted with the Secretary of State, John Foster Dulles, regarding the selection of mission members who could best help carry out this assignment. We chose John M. Cabot, Assistant Secretary of State; Andrew N. Overby, Assistant Secretary of the Treasury; Samuel W. Anderson, Assistant Secretary of Commerce, and W. Tapley Bennett, Jr., Deputy Director of the Office of South American Affairs, Department of State. These officials with both specialized and general knowledge of Latin America accepted the invitation to accompany me and to share in the responsibility of my assignment. Because of time limitations the field portion of this task was limited to the republics of South America.

We left Washington on June 23 and returned on July 29, 1953.

In those thirty-six days we held friendly and informative discussions with the Presidents and cabinet ministers of the ten republics of an entire continent. We talked with their leaders of agriculture, industry, finance, labor, and education. We visited factories, homes, farms, and schools. In all, we traveled about 20,000 miles and met with several thousand persons, individually or in groups.

Everywhere our mission was greeted with friendliness and understanding. Everyone was genuinely concerned in making certain that we should have the opportunity to obtain all the facts, ideas, and attitudes we sought. Exceptional courtesy was the rule everywhere. A few efforts by communists to mar the cordiality of the welcome were conspicuously futile and indicated that the communists feared the mission would succeed in establishing better understanding among the leaders and peoples of the American republics.

The members of the mission are deeply appreciative of the great kindnesses and courtesies which were extended to us everywhere.

I am happy to tell you that all with whom we talked share your desire to strengthen relationships between the United States and the ten republics we visited, as well as among all the nations of the Western Hemisphere.

Upon our return home, we began the task of synthesizing our data and crystallizing our views. We also began holding discussions with many governmental and other leaders who are vitally concerned with both public and private policy in the United States as it affects relations with the Latin American countries.

Here, to contribute to public understanding, it seems well to emphasize that the development and implementation of foreign policy is today a tremendously complicated undertaking, requiring wisdom and a great deal of patience as the many phases of a consistent policy are coordinated and implemented.

Thus, all may agree that sound, mutually helpful economic relations with a particular country will contribute to our own national welfare. Everyone, in principle, may favor a policy of economic cooperation. But to bring the policy alive may require a great many public and private decisions and actions which are difficult to coordinate. Hypothetically, it may require a favorable decision by the Office of Defense Mobilization for the purchase, from a given country, of critical materials for stockpiling purposes; it may call for loans by the International Bank for the expansion of transportation and power facilities, and here the decision is outside the sphere of authority of the United States Government; it may necessitate short-term loans by the Export-Import Bank, a possibility of interest not only to the Bank and the Secretary of State, but also to the Secretary of the Treasury and the Director of the Budget, for the funds drawn by the Export-Import Bank come from the Treasury and are a charge against the annual cash budget of the United States; the achievement of the mutually agreed upon policy may be dependent on changes in the domestic laws and policies of the country concerned, a matter on which only that country can take the initiative; and some or all the foregoing actions may be essential to increase the flow of private capital to the other country—private capital which must, it seems to me, be primarily depended on for helping to develop the great economic potentials of the nations of Latin America.

Even then, this single instance of promoting mutually helpful economic relationships may not be complete. At this point there may be a profitable two-way trade between the United States and that country. We may buy many millions of dollars worth of products from it each year, and it may, most likely will, buy an equivalent amount from us. But then the foreign country or the United States may, as a result of domestic considerations, increase a tariff, or impose quantitative restrictions, or fix uneconomic exchange rates which affect adversely the level of trade in both directions. Such actions may not only cause great economic dislocation within the foreign country but may also injure United States traders who have been dealing with that country, and may threaten the soundness of both public and private investments which have been made in an effort to further economic growth in both countries.

In the face of these ramifications in formulating and effectuating policy, we have, as I have indicated, been holding many conversations with public officials and private leaders, for we are convinced that better and more stable relations with the countries of Latin America will result only from wise decisions, day after day, by a great many individuals.

This process of consultation could, of course, be much extended, but I am now submitting this report, believing that the inter-agency and governmental-private consultations which are needed continuously are properly the function of the established departments and agencies of the Government.

For my associates and me it has been a rare privilege and rewarding experience to represent you, the Government, and the people of the United States on what we deem to have been a mission of vital importance. We believe deeply that we must constantly be alert to maintain and to build better political, economic, military, and cultural relations with our neighbors to the South. Good relations in this Hemisphere are crucially important to our own future, and to theirs, and indeed to the future progress of the entire world.

II. THE IMPORTANCE OF LATIN AMERICA AND THE UNITED STATES TO EACH OTHER

Stable, satisfactory relations between the United States and the nations of Latin America are vital as we seek to build a cooperative peace characterized by freedom and rising levels of well-being.

The Economic Aspect

The trade of the United States with the Latin American republics was about $3.5 billion in each direction in 1952.

As a market for our commercial exports, Latin America is as important to us as all of Europe and more important than Asia, Africa and Oceania combined. Our sales to Latin America encompass the entire range of our national production. As a source of United States imports, the Latin American republics have even greater relative importance, standing well ahead of Europe or the other continents.

Reciprocally, the United States is of key importance to every one of the Latin American countries, both as a market for their products and as a source of essential imports.

The copper, tin, zinc, iron ore, manganese, and other minerals which we obtain from Latin America are vital constituent parts of the machinery which we in turn ship there. The dollars we provide through purchases of coffee, sugar, tropical fruits, and wool, as well as metals, finance their purchases of transportation and industrial equipment and consumer goods. The industrial and military items which the United States turns out to help defend the free world, including the American republics, require a continuing supply of a great variety of strategic materials from Latin America.

Such trade is mutually advantageous.

Almost 30 percent of all United States private, long-term foreign investment is in Latin America; this investment of some $6 billion is larger than the amount invested in any other part of the world except Canada. Such an investment is important not only to the United States as earning assets but also to Latin America as a stimulant to productivity and economic progress. Its contribution to the general development of individual countries is daily made evident in practically every field of economic endeavor, from electric power and heavy industry to the manufacture of finished goods and their distribution to consumers.

This United States direct investment ordinarily earns a good return; at the same time, of course, it develops the desert and the jungle, provides work at good wages, offers sound technical training for hosts of young people, carries with it technical and managerial skills and, by increasing the output of minerals, foods and manufactured goods, helps build prosperity in our sister republics.

While we might cite instances in which this capital has not been fairly treated, we could also call attention to many cases in which reasonable treatment has redounded to the benefit of both countries and has promoted an additional flow of productive investment.

The economic well-being of every section and every special interest group in the United States is affected by our relations with Latin America. The dollar she gets from her sales here are used largely for direct purchases here. If, because of tariff or other changes, we should buy less from any of the countries to the South, their purchases from us would decline. The effects of such change would be felt in every part of our country.

Unfortunately, the people of the United States do not seem generally to comprehend the full significance to us of stable economic relations with Latin America; moreover, some of our actions have caused leaders in those countries to adopt the mistaken view that we turn our attention to them only in times of crisis.

On the other hand, many Latin Americans appear to disregard the importance to them of their economic relations with the United States. The fact is, of course, that our market is indispensable to the well-being of the other American republics. Our record is such that, no matter how disturbed Latin Americans become over some of our trade and tariff policies, they do have considerable confidence in our basic fairness in the conduct of international trading. However, this preponderant importance of United States consumption as regards so many Latin American products is precisely the reason why our actions, however minor they may be in our view, can have such significant effects on the economies of other republics in the Hemisphere.

The Military Aspect

The military relations between Latin American countries and the United States are closely related to their economic interdependence, to the significant role being played by the United States in the defense of the free world and to the strategic location of our countries with respect to one another.

The present military strength of the nations of Latin America is relatively small, for the most part designed for the maintenance of internal order. This fact may suggest to some that these republics are, therefore, not significant in the system of collective security which the free world is constructing.

This is a fallacious, dangerous assumption.

In the event of a general war, some of the essential resources of the world might well be in the hands of the enemy. The resources of Latin America would then be of enhanced importance. A Latin America under the control of or allied with our enemies could deny these resources to us and even open broad lines for direct attack upon us.

But a friendly Latin America can do more than provide strategic materials. It can help guard the lines of communication and shipment, including the Panama Canal. It can, as occurred in World War II, provide air and sea bases. It can, as Brazil and Mexico did in World War II and Colombia did in the struggle in Korea, supply forces trained in the use of standardized weapons.

Perhaps the greatest military importance of Latin America, in the coalition of the free world, is in its rapidly growing potential: We believe that some of the nations of Latin America will in the relatively near future develop into potent allies and thereby significantly augment the free world's ability to uphold collective security.

Here again, the mutuality of interest merits emphasis: If the nations of Latin America have a military importance to the United States, the United States is vital militarily to them. With no other American republic having a military establishment remotely comparable to our own, and with the United States standing between Latin America and today's potential aggressors, it must be abundantly clear that catastrophic consequences for the freedom and independence of the other nations of this Hemisphere will be avoided only if the United States remains strong.

To comprehend the interdependence of the nations of this Hemisphere in the event of war, one need only recall the determined attempt of enemy submarines in World War II to sink all shipping between the Americas and how near to success they came. On one day, February 17, 1942, seven tankers carrying Venezuelan oil for use in other nations of the Hemisphere were torpedoed. For months no one could be certain that lines of communication could be kept open. In another war, the interruption of shipping with vital cargoes would present serious problems to the United States, which is the most self-sufficient of the American republics; for other nations more dependent on imports, failure of lines of communication might well mean that even essential production would be in danger of complete collapse.

The Political Aspect

The United States and the other American republics have had close relations since the earliest days of their independence.

The doctrine enunciated in 1823 by President Monroe was designed to protect the newly won independence of all the nations of this Hemisphere and to permit the community to grow to maturity free from domination by any transoceanic power. The Monroe doctrine was obviously based upon considerations of our own security; if the arguments to justify it were strong in 1823, they are truly mighty in the shrunken world of today.

The possible conquest of a Latin American nation today would not be, so far as anyone can foresee, by direct assault. It would come, rather, through the insidious process of infiltration, conspiracy, spreading of lies, and the undermining of free institutions, one by one. Highly disciplined groups of communists are busy, night and day, illegally or openly, in the American republics, as they are in every nation of the world. While many persons may now think of Latin America as not being in the line of attack in the modern world struggle, success by the communists in these nations could quickly change all the maps which strategists use in calculating the probabilities of the future.

One American nation has succumbed to communist infiltration. With this exception, however, the other American republics share our desire for peace, freedom, and independence and continue to cooperate effectively in the political councils of the world.

In this Hemisphere we have frequently developed principles and techniques of international collaboration which have later come to be adopted in other parts of the world. Thus, the present global student exchange and technical cooperation programs were initiated by cooperative action of the United States and other American republics well before World War II. The NATO Treaty of 1949 was foreshadowed by the Act of Chapultepec of 1945 and the Treaty of Rio de Janeiro of 1947. The inter-American system preceded the United Nations.

We in this Hemisphere have significantly developed the principle of the sovereign equality of nations; indeed, we can proudly say that we have long been building a system under which all nations, great and small, may live together in peace, mutual respect, and cooperation. The bases of this system have found expression and meaning in the Charter of the Organization of American States. Despite differences and serious misunderstandings from time to time, the record of the American nations in settling disputes by peaceful means has been unique, and has largely saved this Hemisphere from the destruction and bloodshed which so often have occurred in other parts of the world.

Today, Latin American influence at the United Nations in support of freedom, peace, international justice, and effective cooperative processes is a powerful force in the difficult construction of a better world.

Abiding political relationships between the United States and the republics of Latin America are of supreme importance to every citizen of this Hemisphere. If we with our long record of cooperation should begin to falter in such relationships, there would seem to be little hope for success with the cooperative processes toward peace in a larger world whose record is less persuasive.

The Cultural Aspect

The building of permanent peace involves the establishment of abiding cooperation among nations of great cultural diversity. This is not an insurmountable task. We have cultural diversity in the United States, but there are sufficient common beliefs, allegiances, and purposes among all the people to make democratic cooperation effective.

Admittedly, the greater the differences in the cultures of nations, the more arduous cooperation becomes. This is the basal difficulty between the communist countries of the East, with their rejection of God and their adherence to a militant dialectic materialism, and the West with its long adherence to the cardinal principles of the Judeo-Christian philosophy.

The cultural diversity of the Western Hemisphere, while notable, is primarily within the philosophic framework of Western civilization—a civilization which seeks to establish and maintain institutions and processes conducive to the attainment of the supreme human purposes and rules of conduct proclaimed by its religious concepts.

It is true, of course, that the culture of the Latin American countries has until recently been oriented primarily toward Europe. The leaders of our neighbors to the South came in great numbers from Spain and Portugal, but also in significant numbers from England, France, Germany, Holland, Italy, Ireland and other countries. For generations, many of them sent their children to Europe to be educated.

During the past twenty-five years this has changed markedly. Today, seventy-five percent of the students of South America who go abroad for study come to the United States; five thousand students from one country alone are now in the secondary schools and universities of the United States. Their tourist travel is predominantly this way. Large numbers of United States citizens live in Latin America, and increasing numbers of our tourists are enjoying the rewarding experience of travel in Latin America. Bi-national institutes and courses in the schools are rapidly making English the second language of Latin America. Reciprocally, Spanish is today the leading foreign language taught in American schools, and the teaching of Portuguese is increasing.

The predominantly Anglo-Saxon culture of the United States and the predominantly Latin cultures of the other American republics, the latter often blended with strong and proud Indian influences, are today cross-fertilizing each other, to their mutual enrichment.

The true significance of cultural interchange is this: Abiding cooperation among nations toward common goals must be based on genuine understanding and mutual respect; economic cooperation, political cooperation, and military cooperation may break down under the strain of crisis unless there is much more than superficial understanding of one another's cultures, problems, and aspirations.

Fortunately, while there are wide variations in the types of institutions and degrees of democracy among the American nations, their peoples are all spiritually motivated, desire independence, want to live in peace and to work for rising economic, educational, social and spiritual levels among their peoples. This is their common cultural heritage, their common aspiration.

In this Hemisphere, despite great cultural diversity, there is no real impediment to the development of that understanding on which effective cooperation among our peoples can surely be built.

III. OUR APPROACH TO OUR ASSIGNMENT

In stating our convictions regarding the transcendent importance of sound relations among the American republics, we have already indicated to some extent the approach we employed in trying to carry out the assignment you gave us. We should like, however, to state in more detail the views we held, prior to the trip to South America, concerning the factors that must be considered in building better relations among the American republics.

We were and still are deeply convinced that abiding cooperation between the United States and the other nations of this Hemisphere will not be the result of wishful thinking or mere accident. Rather, it will flow only from adherence to consistent programs, honorably and consistently observed.

The *first* requisite for good relations among nations is, as we have said, genuine understanding—understanding among governments and peoples.

Cooperation between two or more individuals, between two or more economic groups in a single society, or between two or more nations must be based on understanding. Otherwise the best that we can get is appeasement in a particular situation, and appeasement blows up in our faces at crucial times and places.

Governments must understand one another's problems, methods, purposes, actions and failures to act. They need to understand the difficulties of finding solutions to problems of common interest. They need to know whether good or bad faith is involved. They must understand the consequences which are likely to flow from a particular solution to a problem or from its nonsolution. But since the ultimate power in all republics resides in the people, no matter what their degree of democracy, it is equally imperative that there be understanding among peoples as well as governments. National policy today is rarely formed by small cliques. It is made by agricultural, labor, industrial, educational, and civic organizations, and by individual citizens—all of whom find a myriad of ways, day by day, to make their judgments felt in the legislative and executive branches of national governments and in international councils.

The efforts of those who are concerned with developing good relations among nations must be directed first of all to the multitude of methods by which there may be developed among peoples and governments that understanding on which economic, political, military and cultural cooperation may successfully proceed. This is one of the highest tasks of diplomacy.

A *second* requisite for good relations among nations is mutual respect. This is especially important in relations between large and small countries. Nations, like people, have dignity and pride. Only if each respects the rights, interests, aspirations, cultures, and sensibilities of the others can there be true friendship and cooperation between disparate nations.

A *third* closely related requisite for dependable relations among nations is that of the sovereign equality of states. The concepts of respect and equality are inseparable. The whole inter-American system is and must be based on the reality of juridical equality and the concept of consent, not coercion.

A *fourth* requisite to abiding relations in our threatened world is mutual security. This concept is embodied in the Treaty of Rio de Janeiro of 1947: an attack on one American republic is now considered an attack on all. This broadening of the concept of the Monroe doctrine is vital to all the American republics, since it constitutes a curb on aggression within the Hemisphere as well as on aggression by a transoceanic power.

A *fifth* requirement for sound cooperative relations is firm adherence to mutual goals. Generally, the nations of the Americas do have common goals: goals of permanent peace, freedom, independence, rising levels of economic well-being, the advancement of democratic processes, the attainment of spiritual values.

Achieving these goals calls for cooperation in essentially every phase of human activity.

Fortunately, essential cooperative processes are working well in most areas, though not in all.

Political and cultural cooperation is on the whole proceeding satisfactorily. Military cooperation is newer, has unique problems, but is outside the scope of our report.

Economic cooperation involves especially difficult problems. In recent years the economic factors affecting our relations with the nations of Latin America have increased greatly in importance and complexity and now occupy a position of great prominence. Hence, this report will pay particular attention to economic conditions, which in some respects are unsatisfactory both to our friends in Latin America and to us.

This, then, was our approach to our assignment. So we conceived our major task in the field to be that of developing evidence to show how each of the requisites for successful cooperation among nations might be met.

IV. WHAT WE FOUND

It had been our hope that we might visit all twenty Latin American republics. However, since time did not permit this, it was decided that we should visit only the ten republics of South America. Assistant Secretary Cabot had just completed a trip to the Central American and Caribbean countries, you had announced a meeting with the President of Mexico, and it did not seem wise to be selective in the Middle American area among nations which are all vital to our welfare. For these reasons, the trip was scheduled to include Venezuela, Colombia, Ecuador, Peru, Bolivia, Chile, Uruguay, Argentina, Paraguay and Brazil.

Regarding Basic Understanding

We found misunderstanding of the United States in South America—misunderstanding especially of our economic capacity and an underestimation of the degree of the sacrifices the people of the United States have made since 1941.

A great deal of this misunderstanding is a natural consequence of our assistance programs in Europe, the Middle East, and the Far East. The leaders and peoples of Latin America have seen the spending of billions of dollars by our Government under the European Recovery and Mutual Security Acts. Disturbed by the fact that they did not have a large direct share in post-war recovery programs, Latin Americans have tended to forget that they enjoyed an unprecedented boom during the war and post-war period so that there was no need for emergency programs for that area.

In their current thinking they have minimized the fact that the tremendous volume of dollars made available to the free world by the United States tended to sustain directly and indirectly their export markets with Europe and other parts of the world. They have also seemingly minimized the fact that the high level of activity in the United States has resulted in recent years in dollar imports from Latin America which are at least six times pre-war levels, while our imports from Europe have risen to only three times prewar levels. There has been, in other words, an entirely different situation in the older industrial areas which suffered from wartime destruction and consequent shortages and post-war scarcity of foods and raw materials, and where the problem has been one of restoring production. In Latin America the war and post-war period brought the opposite situation—a tremendous stimulus to production and trade, the greatest in Latin American history.

Nevertheless, our assistance to other areas came precisely at the time that need for foreign capital was growing rapidly in Latin America, and loans to them, though substantial, did not fully satisfy their aspirations. The unfortunate result has been that the peoples of Latin America have sometimes come to the view that the United States considers other areas of the world to be more important to its future than the countries of Latin America. Not realizing that the burdens we have borne during and since the war have strained even our great resources, the feeling persists in Latin American countries that the United States has such vast riches that it could, if it wished, have made substantial funds for development available to them at a time when it was providing billions of dollars to other parts of the world.

Their dissatisfaction is enhanced by the fact that they seek primarily not financial *grants* but *loans*—loans desired to satisfy their driving demands for a broad and immediate development of their economies.

They view with skepticism all explanations of our need to reduce our own public expenditures, including expenditures in the form of loans by the Export-Import Bank. To them our financial capacity appears unlimited.

A tremendous social ferment exists today throughout Latin America. Leaders of the nations to the South, recognizing that too many of their people are desperately poor, that widespread illiteracy is a handicap to progress, that educational and health facilities are woefully inadequate, and that improvement calls for capital for machinery, tools, highways, schools, hospitals, and other facilities, look to the United States for help. They acknowledge that no other part of the world is now developing as rapidly as theirs: that their construction of buildings, roads, power dams, and factories must amaze even the most sophisticated observer. But these achievements are, in discussion at least, made to seem unimportant. They want greater production and higher standards of living, and they want them *now*. The key to both industrial and agricultural improvement, they feel, is capital, capital in great volume.

Unhappily, the need for foreign capital is accompanied throughout most of Latin America by a rising tide of nationalism.

In some respects this surge of nationalism is praiseworthy, for it indicates a growing pride in achievement and an impatient desire to raise dramatically and immediately their standards of living.

But ultra-nationalism, with its blindness to true long-time interests, is a major retrogressive influence in some countries, often closing the door to the very help and cooperation which are so desperately needed. It leads to laws and practices which prevent the entrance of foreign capital essential to development.

Ultra-nationalism is being fostered by communist agitators. Sometimes political leaders who in no sense agree with ultimate communist purposes accept communist support to obtain temporary political advantage. Thus, the two may be joined for a time in the fallacious contention that foreign capital investment, private or public, is in reality a form of imperialism.

The situation is uneven: In some countries, we found a favorable attitude toward the investment of United States capital in local enterprises, and a full recognition of its contribution to economic development. In others we found mild resentment; for example, there was criticism of the fact that certain United States enterprises had originally invested relatively few dollars locally, had expanded over the years through the reinvestment of earnings and the use of some local capital, and now, when exchange difficulties pose a major problem, seek to take out of the country substantial amounts of dollars earned on the total investment. In a few instances we found that the communist propaganda had gained support—propaganda to the effect, as we have said, that the use of foreign capital for productive purposes somehow impinges upon the sovereignty of the nation in which the capital is invested.

But here we met a great inconsistency: While some condemn foreign investment as an actual or potential evil and while some adopt practices and legislation that frighten or make almost impossible the entrance of foreign capital, *all* strongly insist that a greater volume of public and private capital from abroad is needed if they are to meet their just aspirations.

We found misunderstanding of the policies and practices of the International Bank for Reconstruction and Development, and to a lesser extent of the Export-Import Bank of the United States, both of which have important roles in Latin American development. Though most of the countries we visited are members of the International Bank and therefore should understand its authority and operations as an international body, nonetheless among many officials and industrial leaders we discovered a belief that the United States essentially controls the Bank; that a failure of the Bank to make loans in the desired volume is really a decision of the United States Government; that conditions for loans laid down by the Bank—such as the requirement for reestablishment of their credit standing by settling defaulted external debts—are in fact United States requirements and thus constitute intervention in their affairs.

We found attitudes toward United States business enterprises now operating successfully in Latin America to be mixed. Most thoughtful Latin Americans realize that the days when some foreign-owned enterprises might exploit local populations are gone. Today, United States enterprises usually pay higher wages to their employees than local employers do, and also provide better housing, working conditions, schools, hospitals and highways. They pay very substantial sums in taxes, and provide excellent technical training programs in many instances. Most of the United States managers and staff are well-educated, speak Spanish or Portuguese, work for the improvement of conditions in the host country, and are, in general, effective, friendly representatives of the United States and its people.

But they are also the targets of communists and ultra-nationalists. They and their companies are foreign. They represent large amounts of capital. As such, they sometimes suffer from un-warranted attacks which on occasion are directed at our Government.

Where United States enterprises own and operate utilities, an earning rate sufficient to provide for expansion sometimes has not been permitted. This has in some cases led to a rationing of power, which in turn has closed industries part of each day or week, thus throwing men out of work and curtailing production. The facts have been misrepresented to the point that the United States Government is blamed for the failure of the utilities to expand in harmony with the growing industrial requirements. Incidentally this situation has occasionally put a premium on public power development.

There is also considerable misunderstanding of the operation of wartime price controls and of post-war terms of trade. We heard many times the claim that a large part of the purchasing power of Latin American exchange reserves accumulated during the war, when availability of imports from the United States was restricted by shortages of goods and shipping, was lost when goods again came into free supply, but at higher prices. There is also the belief that raw materials prices are low in relation to the prices of manufactured goods. However, an examination of the unit value indexes of United States exports to and imports from the other American republics shows that the terms of trade shifted in favor of Latin America from a base of 100 for the 1936–38 average to 120 for 1947 and to 171 for the first quarter of 1953. Preliminary data for the second quarter of 1953 indicate that there was further improvement to an index of 177. In practically every product of trade importance, the Latin American seller stands today in a better position than before World War II.

These complaints likewise do not take into account similar shortages and decline in the purchasing power of savings suffered by United States consumers during and after the war and the serious, and, on the whole, successful effort made by the United States Government, both during the war and during the Korean emergency, to assure continuing supplies of essential goods to the other republics on a basis of equality with our domestic consumers. Nevertheless, the feeling persists in Latin America that the United States should assume some responsibility for maintaining favorable prices of basic commodities which form the bulk of Latin American exports, or, as an alternative, that the United States should refrain from imposing price controls on raw commodities at times when demand for such commodities is abnormally high.

In view of the magnitude of trade and investment relationships between the United States and Latin America, it is not surprising that there are some misunderstandings and disagreements in the economic field. Disagreements are bound to arise in an area of such activity, as indeed they do between sectional interests within the United States.

Fortunately, the misunderstandings we found with respect to economic affairs are not matched in other areas. We were delighted to find a growing understanding of the United States as a nation and as a people. By no means are the peoples and leaders of the area uninformed of our ways of thinking and of our institutions, our democratic philosophy, and our aspirations.

The press of South America daily carries much news from the United States—far more than our newspapers carry about their affairs. Schools teach English and offer courses in American history and literature. Bi-national institutes are teaching English and related subjects to vast numbers of young people. In São Paulo, Brazil, we visited a bi-national institute with 7,000 students; the funds are almost wholly local, the United States Government putting in only a few thousand dollars each year; with local funds, a ten-story building is being built to house the institute, and its sole purpose is to help the people better understand the United States and to build international friendship. We visited a similar institute in Asunción, Paraguay, where 1,200 students are studying English; many of them were in class when we arrived to visit an evening session. They literally overwhelmed us with their friendliness.

American schools in Latin America, which enroll approximately 70,000 students each year and in which the United States invests only about $125,000 annually, are focal points for developing detailed understanding of us as a people and as a nation. American libraries are making a notable contribution. We visited one library with only 8,000 volumes, but it had 48,000 check-outs last year.

The small investment that our Government puts into these cultural and educational activities pays large dividends in understanding and good will.

The personnel of United States embassies and specialized agencies are capable, well-informed, and respected. They are intimately a part of the life of the countries to which they are accredited, and thus are able to promote essential understanding. The technical cooperation program, while having as its primary purpose the improvement of agricultural, health, educational, and related conditions, is one of the most successful methods of promoting mutual understanding, for here persons of similar interests are working closely together. Understanding flows from their common interests and purposes.

Thousands of young men and women from Latin America are studying in the high schools and universities of the United States. Most of these, upon their return home, become good ambassadors, promoting inter-cultural understanding.

Some democratic labor leaders have traveled and studied in the United States, and usually they are effective in promoting democratic concepts. We talked with such labor leaders wherever we could. In one country we held a three hour conference with thirty leaders. They told us that at that very time many labor leaders of the country were, at Soviet expense, behind the Iron Curtain, receiving indoctrination. They pleaded with us to find a way to permit a greater number of democratic leaders to come and learn from us. In this connection we noted with concern in more than one country the Soviet practice of extending numerous invitations, with all expenses paid, to communist propaganda conferences and to student, labor and other meetings in Europe and elsewhere. The Communists appear to have ample funds for such purposes.

While, as we have said, the press of South America carries an abundance of news from the United States, unfortunately the functioning of our free press and its value as an independent medium of news and opinion are not too well understood. A good many leaders with whom we talked, while indicating their comprehension of our free, competitive press and news agencies, nonetheless expressed the belief that the United States Government could, if it wished, influence the attitude of the press insofar as their news stories and editorials impinge upon foreign relations. They seem to believe that press criticism of their domestic policies, sometimes based on inadequate understanding of their local conditions, reflects a governmental attitude and that thus, while maintaining an official policy of non-intervention, we do in fact intervene by indirect means.

On the whole, however, we learned that in South America there is a growing understanding of the United States, its methods, and its philosophy, save in the economic field where misunderstanding and lack of information represent a challenge to all of us to work for improvement.

We must in all candor say that many in the United States do not understand adequately the economic difficulties and potentialities in South America—in Latin America as a whole.

In short, overcoming the present lack of information and understanding on both sides with respect to economic problems constitutes in our judgment the greatest single opportunity to strengthen relationships between the United States and the republics of Latin America.

Regarding Mutual Respect and Equality of States

We were pleased to find that our political relations with Latin America are on the whole quite good. They are based upon a concept of mutual respect. The cornerstone of our inter-American relations is the principle of juridical equality of states. An essential concomitant of this principle is that of non-intervention in the internal affairs of others. We respect their right to be different. We must restrict our official negotiations to situations in which the actions, attitudes, or policies of other nations impinge upon our interests or welfare.

This principle of mutual respect is embodied in several inter-American agreements and is firmly accepted in official circles, though it is sometimes misunderstood by the public at large. Acceptance of the non-intervention principle—the real essence of the Good Neighbor Policy—gave impetus to the Pan-American movement in the 1930's by eliminating the most serious obstacle to confidence between the United States and her Hemisphere neighbors. The United States now consistently emphasizes that our common American destiny rests on the freely extended cooperation of the American nations—each the master of its own house but all working together for mutual benefit and progress.

In every country we visited we found genuine pride in the inter-American system, with 21 nations meeting regularly at a council table to discuss their mutual problems, as the forerunner of efforts toward organized international cooperation. We found also that there is general adherence, even devotion, to the series of principles which have evolved through the years as the guiding rules of inter-American conduct: In addition to non-intervention, they include the juridical equality of American nations, solidarity in defense of the continent, solution of inter-American disputes by peaceful means, consultation in matters of common interest before action is taken, and cooperation in economic, social, political and cultural programs of mutual benefit.

The concept of hemispheric solidarity, we learned, is cherished by all the American republics. This solidarity is the Hemisphere's strongest assurance of its own security; it is, indeed, a great contribution of the Americas toward peace in the world.

Regarding Mutual Security

Although, as we have said, an analysis of military cooperation is outside the scope of this report, we were gratified to find everywhere a recognition of the strength and vitality of the mutual security principles embodied in the Rio Treaty. We were informed of steps being taken to translate these principles into instruments of effective common action. Though much remains to be done before the military defense of the Hemisphere against external aggression can be assumed as a collective responsibility, substantial gains are being made. Some of these gains have come through the actions of individual governments. Important progress is also being made through the assistance we are giving to the military establishments of those countries with which we have military assistance agreements. In the wider international scene, the Latin American states have joined with us in giving support to United Nations objectives for the security and defense of the free world against aggression.

Acceptance of the principle of peaceful settlement of difficulties *is a fact* among the American republics.

The importance of this cannot be over-emphasized. It is unique in the history of mankind.

It must not be thought that tensions do not sometimes develop between basically friendly nations in this Hemisphere. They do. On our trip, some existing ones were explained to us in detail. But in each of these situations we were assured that the nations feeling aggrieved would abide by their pledge "not to resort to the threat or use of force" in any manner inconsistent with the U.N. Charter or the Rio Treaty. The leaders and peoples of the American nations are convinced that employing the machinery of the inter-American system for the peaceful settlement of disputes provides the best method for solving intergovernmental problems within the Hemisphere. Again and again, we were told that recourse to anything other than peaceful settlement of a controversy is unthinkable.

Regarding Common Goals

The American nations have, since achieving independence from their mother countries, struggled with uneven success toward democratically-functioning republican forms of government. If democracy is not perfect in any of them, including the United States, it is nonetheless an ideal which neither reactionaries nor radicals find it feasible to ignore. There is a strong feeling among the peoples of all the Americas for the dignity and worth of the individual.

While there is a wide gulf between the most authoritarian and the most democratic of the regimes—Uruguay, for example, justly takes pride in the advanced development of its political democracy—virtually all the nations of Latin America seek the goals of permanent peace, independence, rising levels of economic well-being, and the attainment of the basic values of Western civilization.

In our conversations we developed the conviction that common dedication to the achievement of these goals is the greatest single guarantee we have that the nations of this Hemisphere will continue to work amicably together. This cooperation can be made more effective as understanding among peoples and governments increases. It can be fortified by our unswerving adherence to the principles we have discussed in this report.

Attaining some of the goals is the responsibility of each individual nation. This is true, for example, of gradually extending the blessings of democracy to all the people of a country. Despite all difficulties, varying degrees of progress toward genuine democracy are being made in most of the nations of the Hemisphere.

But most of the goals the nations of the Americas seek can be reached only by cooperative effort. We have already discussed cooperative efforts toward some of these. We now wish to concentrate on the problem of mutually-beneficial economic cooperation designed to help the peoples of the Western Hemisphere improve their levels of well-being. Economic improvement is the greatest single desire of the leaders and peoples of Latin America. And economic cooperation is without question the key to better relations between the United States and the nations to the South. Everything else, no matter how important, must take secondary place, at least in the absence of war.

Regarding Economic Development

Despite the difficulties and misunderstandings which we have enumerated in the economic field, no one could return from a trip such as ours without deep feelings of faith and optimism in the future of Latin America. The outstanding impressions left with us are of the tremendous vitality and activity found everywhere—of a continent in transition, in various stages in different countries—of the sights and sounds of construction in every city—of green fields on what short years ago were deserts. South America is truly a spectacle of enormous variation, with giant skyscrapers and new factories standing beside early Indian and Spanish structures, and with modern agricultural experiment stations operating in areas still characterized by primitive practices and feudalistic systems of farming.

ABUNDANT RESOURCES AVAILABLE

Human and physical resources are great. A rapidly growing population of willing and active workers is an asset, though promising to be a problem unless production, especially of foodstuffs, is substantially increased. New leadership in business and agriculture has manifested itself in many countries. There is a growing awareness of the many things which must be done if the aspirations of the people for a better life are to be achieved.

The vast agricultural and mineral resources of Latin America are only partially developed. If the energies of people are properly joined with capital, with incentives for self-betterment, and with stable political and economic conditions, we shall witness an enormous agricultural, mineral, and industrial development in Latin America in the next twenty-five years.

THE GROWTH OF POPULATION

One profoundly significant fact which will affect Latin America in its long-time future, but which was seldom mentioned to us by the leaders we interviewed, is the growth of the population. In 1950 the population of Latin America exceeded that of the United States for the first time since the colonial era. In each decade since 1920, Latin America's population has risen at a progressively faster rate. The present rate of 2.5 percent per year exceeds that of any other major region of the world and is at least twice the world average.

If this rate continues, Brazil's present population of 53,000,000—already more than that of the United Kingdom or of any Latin nation of Europe—will double in about 35 years. Within 50 years Latin America's population, now about equal to that of the United States and Canada, may reach 500,000,000, or double the total anticipated for the latter two countries.

The future problem is even greater than is suggested by these figures, for the rapid introduction and spread of public health measures will have an appreciable effect on the death rate. As malaria, yaws, typhus, tuberculosis, and other diseases are conquered, the rate of population increase may well accelerate. We visited numerous health projects and learned how malaria is being eliminated by spraying with DDT and yaws is being conquered by the use of penicillin. In every country we found determined efforts to reduce or eliminate diseases which for centuries have plagued South America.

Thus, the problem is not merely that of increasing production to improve the lot of the existing population—and in the countries we visited the per capita annual income ranged from a low of less than a hundred dollars a year to a high of about four hundred dollars a year. The problem is also to win a race with growing numbers. If the contest is to result in a higher average standard of living, increases in production must appreciably outstrip population growth.

Fortunately, since the war the annual increase in production has averaged nearly five percent. Thus, despite the rapid growth of population, an over-all increase of approximately 2.5 percent in per capita output per year has been achieved.

This compares with an average annual per capita growth of 2.1 percent in the United States during the period 1869–1952. It is evident, then, that a long-sustained production increase equal to that of the post-war years could accomplish wonders in Latin America.

THE DEPENDENCE ON RAW COMMODITIES

The export economies of most of the other American republics have been built around their ability to provide certain primary materials for consumption in the United States and Europe. Their supply of imported consumer goods and other materials depends upon their ability to sell these products to the rest of the world. This has been a major reason for the intense desire of the leaders to industrialize and diversify the economies of their countries. We encountered everywhere a widespread desire for steel mills, metal fabricating plants, food processing plants, textile industries and a wide variety of consumer-goods fabricating facilities.

Industrialization has gone so apace in some countries, notably in Brazil and Chile, that it has outstripped the production of food and fibre, as well as the fundamental services of transportation, communication and power. This imbalance has been recognized, but it is difficult and will take time to correct. It is a serious road-block in the way of balanced economic development.

On the basis of our observations we believe that the much-needed balance in economic development will be more rapidly and soundly achieved if the relatively free play of market forces and competitive-price mechanisms are allowed to operate in all countries, as they are now operating in several countries of the continent. The allocation of resources, labor, and capital will then be permitted to occur in the interest of efficient production, distribution, and consumption, and at lower prices.

AGRICULTURAL PRODUCTION

This is particularly pertinent with regard to the pressing need in most Latin American countries for a rapid increase in food production. Larger, more efficient production is absolutely basic to the continent, but agricultural improvement is usually a relatively slow process. In Latin America, improvement in farm production calls not only for price incentives (to which we shall refer again), but also for the establishment of agricultural research stations and extension systems, for far-reaching programs in fundamental education to decrease illiteracy in the rural areas, and for capital to finance the purchase or importation of machinery.

We were encouraged by what we saw on our visit to the modern, effective agricultural experiment station and agricultural college at Palmira, Colombia—projects aided by the United States in the technical cooperation program. We were similarly stimulated by what we saw of the work of SCIPA [*Servicio Cooperativo Interamericano de Producción de Alimentos*] in Peru and STICA [*Servicio Técnico Interamericano de Cooperación Agrícola*] in Paraguay—outstandingly successful examples of our technical cooperation. Indeed in every country we visited where our technical program is operating, we saw evidence which convinced us that the funds the United States is putting into "servicio"-managed agricultural projects is one of the best expenditures made by our Government. At long last science is being introduced to the agriculture of the entire continent. One new variety of corn will produce four times as much as the native variety. Research in genetics, entomology, livestock selection and breeding, fertilization, crop rotations, conservation and so on is showing spectacular results. And the discoveries in the stations are already being applied on many farms, though general adoption may have to await progress in fundamental education to decrease illiteracy, the building of practical extension services, and the widening of rural vocational training.

Agriculturally, Latin America is today reminiscent of the United States in the late 19th century. Primitive and inefficient practices are just beginning to be replaced by modern scientific farming.

Major credit for the accomplishments to date belongs to the local peoples and their governments, and of course theirs is the major task in the future. The technical assistance we have provided has been of enormous help. United States specialists in all branches of agricultural science have been skillful in training local leaders in research and extension work. Now many American republics have agricultural colleges for the training of expert personnel.

Fortunately, several of the countries recognize that to stimulate domestic food output they must restore the incentive that can flow from the price mechanism. Through inflation, price controls, and subsidy exchange rates, some governments have greatly discouraged domestic agricultural production and encouraged the use of scarce foreign exchange for food imports. So serious has this been that some countries which formerly produced enough of such products as wheat and sugar to meet most of their domestic requirements have recently been importing more and more of these very commodities.

Ceilings placed on domestic prices of foodstuffs as an emergency attempt to control inflation have exerted a regressive influence on domestic producers. Especially favorable exchange rates for food imports have sometimes made it impossible for the local farmer to compete. This has led in some instances to situations of sheer folly—to scarce foreign exchange being used to import food which in turn has been illegally re-exported in large volume at good profit by contraband traders.

Such policies have caused a shift in land resources in the affected areas from much-needed production to less economic and less basic production. As a result, the real standard of living of the people has suffered. Such policies also tend to vitiate, temporarily at least, the positive benefits of United States technical cooperation in agricultural experimentation and demonstration, and work against the usefulness of loans which have been extended for agricultural machinery, irrigation, and related purposes.

In view of the foregoing, we were indeed encouraged to learn from a number of governmental and financial leaders that they have become aware of the self-defeating nature of the policies which have been followed in some countries and that they are taking steps to make possible more realistic domestic prices and exchange rates for agricultural products.

THE NEED FOR TRANSPORTATION

A government official in Ecuador told us that his country has three urgent needs: Roads, roads, and more roads. At present in Ecuador, as in other countries, mountainous terrain often cuts off rich agricultural regions from population and industrial centers. Next to an increase in agricultural production, development of transportation is the paramount need in most of the Latin American countries. The two are, in fact, inextricably linked. We found this dramatically exemplified in Bolivia. For many years, Bolivia was preoccupied with the mining of tin. She neglected her agriculture to such an extent that today she must import about fifty percent of the food required to meet the meager diet of the population. Bolivia is today trying to diversify, and to expand agriculture. The major opportunity to increase agricultural production is on the virgin lands of the Santa Cruz region, which only now is becoming economically accessible as a result of the construction of a new highway, financed in large part with an Export-Import Bank loan.

In many of the countries we visited, we found that there is real opportunity for assisting in planning and executing sound transportation-improvement projects, as has already been done in Colombia, Ecuador, and Bolivia, not only with loans, but also with technical assistance. Better highway, rail, harbor, inland waterway, and air transportation facilities will often create conditions which would make possible the development of mining, manufacturing, agricultural, and other enterprises, most of which could be financed privately.

THE NEED FOR POWER AND FUEL

Another serious impediment to a well-balanced development of the other American republics is the shortage of power and fuel. The demand for power in an expanding economy is almost insatiable. All over South America we witnessed the spectacle of severe power shortages and of potential shortages, even where herculean efforts were being made to develop new sources. Power facilities, especially hydroelectric facilities, are gluttons for capital. Hence, it is going to be difficult for countries short of capital to keep up with the demands for power.

Private electric power enterprises in several countries have demonstrated a readiness to expand generating facilities. They have given assurances of their willingness to bring in the necessary foreign capital to pay for imports of generating machinery. Nevertheless, we noted cases in which the rates that the companies are permitted to charge for electricity have been frozen at low levels while inflation and exchange depreciation have forced operating costs upward. In such a squeeze the private companies cannot finance expansion programs. It lies within the power of the respective governments to remedy the situation by establishing rates adequate to permit private financing.

The International and Export-Import Banks have demonstrated their willingness to provide reasonable support for power generation. There is an opportunity, certainly, to do more. Foreign capital support is indispensable, not only because of the magnitude of the problem, but also because most of the essential equipment must be imported. The financial support should in our judgment be forthcoming provided (*a*) that the assured rate structure will permit long-time amortization of the loans, and (*b*) that improved methods of local financing and better fiscal policies are adopted so that the large amounts of local capital necessary for power facilities do not cause distortions in the economy.

No large nation can have a satisfactory industrial development in the absence of a cheap, indigenous source of energy. Hydroelectric energy can make a contribution, but its capital requirements are high. Certainly no economy in South America can expect to function exclusively on electric energy. It must have coal, oil, or other combustibles.

Colombia, Ecuador, Peru and Venezuela have oil, and both Colombia and Peru have coal resources. Chile has coal mines, some oil, and attractive hydroelectric possibilities. Argentina and Bolivia may have an indigenous supply of oil to protect them for at least the near future. While exploration has not proceeded far enough to provide assurance, the best opinion is that there should be oil resources of exploitable size in Brazil. Today, Brazil has a production of about 2,500 barrels a day as against about a 125,000-barrel daily requirement. Last year, Brazil imported more than $250,000,000 worth of petroleum products. At the present rate of growth in consumption of petroleum products, it would not be long before the foreign exchange requirements for fuel would become an impossible burden. Thus, the need for oil development in Brazil is fundamental.

The manner in which Brazil solves this problem will be of crucial importance. Based on experience elsewhere in the world, and even under the most favorable circumstances for oil exploration—and with good luck—it will be many years before Brazil can be self-sufficient. The capital needs are difficult to estimate, but are very large. It may be pertinent to note that private companies will have spent in Canada more than $800,000,000 before 300,000 barrels a day are produced, transported, and refined in that country.

THE NEED FOR INDUSTRIES

Another aspect of balanced economic development in South America relates to manufacturing activities. Countries lacking basic and secondary manufacturing industries understandably seek to remedy that deficiency. The development of healthy, competitive industry in South America should aid substantially in promoting higher standards of living. In nearly every country we visited we saw new industrial plants under construction. The city of São Paulo, Brazil, for instance, is the fastest growing metropolitan center in the world, with hundreds of new plants and businesses, and Medellín, Colombia, has notably modern, industrial establishments and manufacturing techniques.

In some countries there is, in fact, some danger of excessive industrialization—industrialization for its own sake, at any cost, rather than for the sound contribution it can make to economic progress. In a highly developed country possessing adequate resources and capital, unwise industrial development is serious enough; in a country which is short of capital and other resources, it can have critical consequences. Availability of local raw materials and of fuel resources are vital. If adequate fuel resources are lacking, increased industrialization, raising as it must the demand for fuel imports, places a still greater burden on an already overburdened balance of payments. In such a situation, a due regard for the balance-of-payments impact of specific industrialization would require evidence that the new industry would directly or indirectly earn or save foreign exchange, and could operate without continued subsidy. High cost and uneconomic industries that absorb transportation, power, raw materials and other scarce resources may affect adversely the entire economy.

Many manufacturing industries, mines, processing plants, and businesses in South America are wholly or partly owned by United States enterprises. In some countries they are operating with no difficulty and are making good profits. In others, where exchange difficulties exist, they may have trouble in importing essential products or in exporting earnings, even though locally their operations are profitable. We met with large numbers of United States businessmen in nearly every country. We were happy to find that they wish to carry on their work for the benefit of the people of the host country as well as for the benefit of their stockholders. They impressed us with a highly developed sense of business and political statesmanship. One company head told us of a development which may be, probably is, typical. When his company first went into business in South America, it imported annually more than 450 different processed items in quantity. Gradually the company has stimulated the development of local, small industries to supply its needs. Today, practically all items are locally manufactured.

We found a growing tendency for private United States investors to join with local investors in establishing and operating industries and businesses. This seemed to gain favorable reactions in most countries.

During the recent past, we learned, a number of European groups have made direct investments in South America along lines quite parallel to United States investments. These groups are supplying know-how and some capital and constitute active competition with their United States counterparts. There is also developing in South America rather keen competition especially in the sale of capital goods. In this competition, European suppliers are able, in large part through the support of their governments, to offer term payments usually considerably longer than is customary with American suppliers of comparable equipment. This is visible evidence of the export drive so much in vogue in the European industrial countries.

THE MENACE OF INFLATION

A vital contribution which can be made to sound development in the other American republics, as in any country, is the prevention of inflation and the maintenance of high levels of economic activity with relative price stability—in short, the maintenance of honest money. Inflation has often distorted economic development and disturbed living standards in Latin America as it has in other parts of the world. It has sometimes destroyed confidence in the currency, impaired the growth of sorely-needed local savings for development, led to the flight abroad of domestic capital, and encouraged speculation in local real estate rather than investment in productive enterprises of benefit to the population. Some Latin American governments, not unlike other governments, have tried to deal with the symptoms of inflation rather than its causes. In so doing they have resorted to various forms of control of prices, trade, and investment, as well as to varying degrees of government intervention, even to the point of government ownership of enterprises which directly compete with private industry and capital.

Inflation cannot be controlled effectively over any sustained period; it must be prevented. This requires unpopular measures in the field of budget expenditures, taxation, and credit policies to assure that the growth in the money supply and in money incomes does not outstrip growth of production. Policies designed to promote efficient production and at the same time keep money honest are as difficult to adopt and maintain in Latin America as they are in the United States and other countries. It is noteworthy, however, that several of the American republics have succeeded on various occasions in balancing their budgets while maintaining reasonable, sound rates of economic development. Some have been successful in stabilizing bank credit expansion, or at least in keeping its growth within satisfactory limits, by means of effective central bank policy and the judicious enforcement of appropriate requirements on commercial bank reserves. These general restraints, while often unpopular with would-be borrowers, are vital to the maintenance of a sound currency, a balanced economy, and a satisfactory growth of domestic savings.

We visited with financial experts, in and out of government, who said that among the *general* restraints which their governments might appropriately employ is the price deterrent on imports by appropriate upward adjustment of rates of exchange so that domestic prices are more nearly in line with world prices. Efforts to avoid this unpleasant necessity by direct licensing of imports and by multiple and unrealistic exchange rates have often created new difficulties worse than the shortages these devices were designed to remedy. Where inadequate imports are allowed and where unduly cheap rates for such imports prevail, the fortunate recipient of an import permit is often able to sell his goods at great profit. This situation leads to undue energy being expended on efforts to get permits, and on efforts to get reclassification of goods or special exemptions from the authorities, and can easily lead to favoritism in the issuance of permits. In addition, it often leads to prices for imported goods at the consumer level even higher than they might be with a realistic import exchange rate.

Mention has been made of the value of realistic domestic prices and import rates of exchange to encourage adequate agricultural production and to give consumers and businessmen more freedom in buying abroad. Of equal or greater importance is the function of realistic export rates of exchange in giving incentive to the producer and exporter to increase sales abroad, thus expanding the national earnings of foreign exchange and enlarging the country's ability to buy needed articles from foreign suppliers for further economic development and consumption. Penalizing certain major exports by permitting them to move only at unfavorable rates of exchange, while producing an apparent short-run advantage to the government in the form of "cheap" acquisition of exchange, may prove costly in the long run by discouraging a proper expansion of basic exports. In extreme situations this use of a multiple exchange rate system has tended to price the country's goods out of the market abroad and to discourage domestic production while stimulating domestic consumption. We learned that several South American governments have discovered this to be a costly experiment.

Well-trained experts of most of the South American countries are fully aware of these fundamental facts, and in a number of the countries attempts are being made to deal effectively with the conditions discussed. Candor compels us to say that the decisions involved frequently pose difficult and unpalatable political choices.

THE NEED FOR CAPITAL

It is difficult to exaggerate the need of South America for capital to promote sound economic development. Agricultural and mineral resources, as well as industries, are awaiting the capital, the know-how, and the right conditions for expansion. The greater part of this capital must come from private investment, chiefly from local savings. For the development of local savings and local capital markets great emphasis must be placed on sound budgetary, fiscal and credit policies and the restoration of confidence in the value of the local currency.

We found no well established capital markets in South America in the sense we know them in this country. Constructive efforts are being made in Brazil, Colombia, and Venezuela; Argentina, Uruguay, and Chile have markets for bonds and stocks. But much remains to be done.

Foreign private capital, from the United States and other countries, has played and, under appropriate conditions, will continue to play an important complementary role in South American development. There are certain limited encouragements to private foreign investment within the power of the United States Government; we understand that consideration is now being given to what in this connection might appropriately be recommended to the Congress.

Basically, however, it is abundantly clear that private capital cannot be induced by the United States Government to flow to other countries, even to the most friendly. It must be *attracted* by the nation desiring the capital. United States private capital will be invested where conditions of political and economic stability and fair and equitable treatment provide it an opportunity for reasonable profit and assurance of remitting earnings. The fact is often overlooked that there is too much opportunity at home for United States capital for it to go abroad unless it is wanted and is sure of fair treatment.

Measures which can be taken by foreign governments to attract private capital are too well known to require extensive discussion: They include adequate opportunities for fair profit, reasonable provisions for transfer of earnings and amortization, equitable labor and management laws and regulations, and freedom from fear of discriminatory treatment, expropriation with inadequate compensation, or unfair Government intervention. Inflation and financial instability also play a part in many countries in discouraging or repelling private investment. A genuine belief in the value to the community of private competitive enterprise and private profit is perhaps the most fundamental requirement.

Private investment by United States capital in South America has been substantial and continues to be made in impressive volume in some countries where experience and prospects are favorable. Venezuela, Brazil, Colombia and Peru are examples of countries where substantial investments have been made and where United States companies appear interested in making further investments. In some other countries the experience of private capital has caused it to become timid, if not actually anxious to leave the country. In several instances, United States private capital has had unhappy experiences—experiences of "creeping expropriation," of inadequate opportunities to make reasonable returns due to government intervention, and of inability to transfer earnings into dollars. In considering private investment abroad, prospective investors will naturally seek the opinion of those who already are operating in a country.

Most of the conditions which affect the flow of private capital must be considered also by those who weigh the possibilities of extending public loans. That there is need for further development which might be met by public loans is evident in nearly every country we visited. International Bank and Export-Import Bank loans have played an important part in the unprecedented development now under way in all of Latin America. In its relatively brief period of operations the International Bank has authorized over $400 million in loans to Latin American countries, primarily for electric power, highways, railways, and agricultural development. The Export-Import Bank, with a longer history of operations, had outstanding credit authorizations to Latin American countries of over $1,350 million as of September 30, 1953. The experiences of the two banks have been highly favorable. As will be indicated later, public loans can often help provide the basic facilities in economic development that can foster further development through private capital investment.

THE NEED FOR BETTER MANAGEMENT

One of the significant facts about South America which impressed itself upon us is the shortage of trained management personnel in many fields. This deficiency varies considerably from country to country. It is most noticeable in such state-owned enterprises as railroads and communication systems. In the private business community, there is discernible an increasing improvement in management due to training provided by technical schools at home and to an increase in overseas education. The infusion of experienced businessmen from abroad has also helped. In the field of management and other technical training lies one of the great opportunities we have to help Latin America. Some aid is now provided by the United States in the technical cooperation program.

THEIR CONCERN ABOUT TRADE RESTRICTIONS

This part of our report—on the economic situation in South America—would not be complete without reference to what governmental, industrial, agricultural, and other leaders told us about those United States practices and attitudes which vitally affect their welfare. We have referred to some of these in a previous section.

They expressed to us the hope that the United States will continue a high level of prosperity, for they realize that economic difficulty here would seriously affect their welfare and endanger the whole free world. They stated emphatically their conviction that a constantly expanding trade between our countries would be mutually advantageous and they expressed the hope that the people of the United States would not favor restrictive legislation which would impede the further development of trade.

Everywhere leaders expressed concern about our future tariff policies. They pointed out that they are paying customers, and therefore they feel that the United States should welcome imports from them. They spend in United States markets most of the dollars thus earned.

Serious apprehension was expressed over measures introduced in our Congress which would increase restrictions on United States imports of petroleum, lead, zinc, and fish. The possibility of further restrictions on wool and other agricultural products concern them. They have, we found, a real appreciation of the problems of our domestic producers of these products, but they are nervous about what they believe to be a tendency in the United States to increase tariffs on these and other products.

Wherever we went, leaders of South America asked that we urge upon our Government and people the need at least for *stability* in the rules of international trade. There can be no doubt that they would be greatly injured economically, and their friendship and faith in us weakened, if we did less than stabilize the measures which affect their trade with us.

V WHAT SHOULD BE DONE?

In the light of the total situation in South America as we found it, my associates and I have, since we came home, considered carefully what the Executive Branch of our Government, the Congress of the United States, and leaders in private life might do to strengthen relationships between our country and the friendly neighboring nations to the South.

Since the other four members of the special mission are officers of the Federal Government, and may therefore make their convictions known from time to time in the official policy councils of government, it seems appropriate that this concluding section should reflect my personal views.

Strengthening Understanding and Mutual Respect

It seems evident that the first requirement is a better understanding in the United States of the importance of firm and abiding relationships between the United States and the nations of Latin America. Sentimentally, at least, the people of our country want good relations with their neighbors. But good relations may call for new policies, actions, or legislation. These will come to fruition only if there is a broad comprehension of the great need for stable political, cultural, military, and economic cooperation, as my colleagues and I have explained in this report.

While knowledge of us is greater in Latin America than is our knowledge of them, there are nonetheless many serious misunderstandings on their part which need to be overcome. The task of developing the essential understanding is a mutual one.

(1) Existing programs of intellectual and cultural cooperation—including scholarships, binational centers and language institutes, libraries, and exchange of persons—should be expanded.

The United States should increase its support of the American schools in Latin America which now have some 70,000 students enrolled. Our total budget for this purpose during the current fiscal year is about $125,000. This sum should be increased modestly, to $150,000 or $175,000 a year.

We should encourage more visits and lecture tours in Latin America by United States citizens who are eminent in the sciences, arts, and letters, for Latin Americans have a high appreciation of the cultural values of life.

We should encourage publishers, editors, business, agricultural and labor groups, students and others to travel more extensively in Latin America, and Government departments should maintain information services for groups planning such trips.

We should increase the number of invitations to leading Latin Americans to visit the United States, arranging, with the assistance of universities, lecture tours for them to help defray expenses.

We should also seek to arrange cultural exchanges in all branches of the arts.

Especially should we invite more democratic labor leaders of the Latin American nations to this country, helping them to arrange tours so that they may understand fully the functioning of our private competitive enterprise system and the key place free workers occupy in our society. We should expand our program of providing training courses for promising labor leaders.

With the cooperation of the American Council on Education and the National Education Association, we should encourage universities and schools to establish close cooperative relations with comparable institutions in Latin America. This practice is common between American universities and schools, on the one hand, and Middle Eastern and Far Eastern universities and schools on the other. One of the best demonstrations in building understanding and good will my associates and I found on the trip was in Colombia where the agricultural college and experiment station at Palmira have close ties with Michigan State College.

(2) The press, radio, and motion picture programs of the United States Information Agency in Latin America, though limited in scope, are effective. In the conditions prevailing virtually throughout Latin America, local radio and motion picture programs have been particularly successful in getting our measures to the masses. They should be continued and expanded, for truthful information widely disseminated is one indispensable means of countering communist propaganda activities aimed at disrupting hemispheric solidarity and free world unity.

(3) The United States National Commission for UNESCO, which cooperates with the Secretary of State in promoting understanding among the peoples of the world, might well be requested to expand its program with respect to Latin America. If the Commission were willing to do this, perti-

The Univ. of Ga. [illegible] Library

nent educational and informational materials could be distributed by the nation-wide organizations represented on the Commission, and informative group discussions on Latin America might develop in the cities and towns and on the farms all over the country. Universities, secondary schools, and elementary schools could be encouraged by the Commission to do more in their curricular and extracurricular activities.

(4) It is my hope that several of the large foundations of the United States will make additional scholarships available to students of Latin America, especially to students in those countries where exchange difficulties make travel to and study in the United States difficult. Further, one or more of the foundations, with the cooperation of a university, could perform a valuable service by establishing as a pilot project a bi-national institute in the United States, modeled on those now functioning in several Latin American nations. The institute should be largely self-supporting, and should teach Spanish, Portuguese, and Latin American history and literature. Students should be of both school and post-school age.

(5) United States business firms now operating in Latin America might help their public relations and promote understanding by increasing their support of the American schools and the bi-national institutes in their host countries, and by offering scholarships and training grants to talented young Latin Americans.

(6) Attitudes toward United States business enterprises now operating successfully in Latin America have been discussed earlier in this report. United States companies in Latin America are playing an important role in promoting better understanding and friendship among the peoples of the American republics. They should seek constantly to ensure that their staffs are good ambassadors as well as good businessmen. By their actions and their relations with the public they can do still more to increase the understanding of the contribution which enlightened business methods are making to the local economies.

(7) In addition to the officially-sponsored exchange-of-persons programs, there are opportunities for distinguished American scholars who speak Spanish or Portuguese to lecture in universities in many of the American republics. On our trip we met three Emeritus Professors from the United States who were doing this. This may, indeed, be an attractive field for the great number of scholars, now retired from American universities, who still wish to be of great service to their country and who, with retirement benefits, can afford to undertake assignments at the modest salaries offered by most Latin American institutions.

(8) In Massachusetts, New York, Florida, Louisiana, California and Texas—and no doubt in other states—are private associations whose major purpose is to develop better understanding in the United States of Latin American culture, histories, problems, and aspirations. Some have active business, educational, and cultural services. They provide forums for distinguished Latin American visitors who come to the United States. This type of association merits the thoughtful consideration of states and cities not now having such institutions. The large number of Foreign Policy Associations in a multitude of American communities might well give special attention to our relations with Latin America.

(9) We should look to the free mass communication media of the United States, and especially to the press associations and newspapers and magazines with Latin American correspondents and circulations, as a major means of promoting essential understanding. Certainly the information media of the United States have a profound effect on attitudes in both the United States and Latin America, and thus on official and unofficial relationships. It would be helpful if these media regularly found it possible to do more than report the spectacular occurrences in the Latin American countries. A revolution will merit widespread attention by the press, radio and television, but the long-term underlying causes may not. Yet the basic causes may have more to do with the future welfare of our country—and with international relationships—than did the revolution which brought new leaders to power.

I believe deeply that adequately-informed peoples in the Americas can find cooperative and mutually-advantageous solutions to hosts of problems, but partially-informed citizens are likely to foster tensions, disputes, and serious ill will.

It is recognized that the primary function of the press is to convey news, not to promote understanding and good will among nations as such; but in the modern world struggle, in which we need all the friends we can get, citizens must depend greatly on mass communication media for the evidence relevant to valid judgments. The media which have correspondents in Latin America should consider that part of the world so important to the United States that they will assign their best men and women there, as indeed some of them now do.

Similarly, United States dispatches to Latin America can faithfully interpret or grossly misrepresent our intentions and actions. As stated previously in this report, the press and radio of South America daily bulge with news gathered and dispatched by our great free information system.

In mass communications between the United States and Latin America, several considerations may be pertinent:

Varying degrees of authoritarianism exist in Latin America. There are also countries with democratic practices equal to ours. Most American nations which still have degrees of feudalism and dictatorship are moving gradually toward democratic concepts and practices. Commendation for their achievements may not be as newsworthy as criticism of their failures, but it could surely contribute to understanding and good will.

It would be helpful if the United States public better understood that our Government must distinguish carefully between actions and policies which are wholly within the jurisdiction of a single nation, and those policies and actions which impinge upon our welfare or the welfare of the community of nations.

(10) The Tenth Inter-American Conference, which is scheduled to be held at Caracas in March 1954, will present a timely opportunity to the United States to emphasize our positive interest in strengthening efforts to increase intercultural understanding as the foundation of mutually advantageous cooperation in all relevant areas.

Strengthening Economic Cooperation

Before undertaking to make specific recommendations on strengthening our economic cooperation with the countries of Latin America, I feel impelled to express the view that the greatest contribution which the United States can make to the well-being of the world as a whole is the maintenance of a high level of economic activity in this country at relatively stable prices.

In this report, my associates and I have described conditions which affect economic development in Latin America. We have also discussed practices in certain countries which deter the flow of private and public capital needed for balanced development. Whether such conditions are changed is up to the nations involved. Some of my recommendations for strengthening economic relationships must be made on the assumption that deterrents to the flow of capital will be altered, or must be considered only with respect to those nations where serious deterrents do not exist.

I specifically recommend:

(1) That the United States adopt and adhere to trade policies with Latin America which possess stability, and with a minimum of mechanisms permitting the imposition of increased tariffs or quotas. I consider this matter of stability and consistency the outstanding requirement.

The nations of Latin America pay for what they obtain from us. Their purchases from us are governed almost wholly by the volume of our purchases from them.

Occasionally the importation of a particular commodity may cause temporary difficulty for one of our industries. But if we raise the tariff on that commodity, the export sale of other United States commodities is certain to decline. The question then becomes: Which United States industry, if any, should be temporarily disadvantaged? And the change in our tariff may seriously weaken the entire economy of a Latin American nation.

In a mature economy, and especially in a creditor country, it often develops that policies which are clearly in the national interest are nonetheless detrimental to one or more economic groups. This fact is not peculiar to problems of trade with Latin America. A solution to it would be widely beneficial and would enhance the probability of maintaining stable economic relations between the United States and Latin America.

(2) That the United States adopt a long-range basic-material policy which will permit it to purchase for an enlarged national stockpile certain imperishable materials when prices of such materials are declining.

We import from Latin America many minerals and other primary products whose prices on the world market are subject to wide fluctuation. To a country which sells the products of its mines and then purchases processed goods and food from abroad, a sharp decline in the price of its minerals can be calamitous, leading not only to lower standards of living, but also to political instability.

The United States could not, even if it wished, control world prices of such commodities, and it is clear that private enterprises will buy wherever they can get materials of the needed quality at the least cost.

However, in the light of the findings of the Report of the President's Materials Policy Commission, which predicted increasing United States deficiencies in important materials, serious consideration should be given to a new policy looking toward building more massive stockpiles when world prices of the storable commodities are declining. Such a policy would, in my opinion, be of immense benefit in protecting the long-term economic future of the United States, and would provide at least some degree of stability in world market prices of raw materials.

I recognize that the implementation of such a policy would presumably have to await the time when United States fiscal resources are not severely strained by defense expenditures; further, this policy is now partly in effect in the defense stockpiling program.

(3) That the United States carefully examine whether or not it would be appropriate to amend present tax laws to remove existing obstacles to private investment abroad.

(4) That public loans for the foreign-currency costs of sound economic development projects, for which private financing is not available, go forward on a substantial scale, provided, of course, that the borrowers take the necessary measures to ensure that they are good credit risks.

It is generally agreed that the International Bank for Reconstruction and Development should have the principal responsibility for making development loans, as compared with the shorter-range lending operations of the United States Export-Import Bank. However, it seems essential that the United States maintain a national lending institution to make sound development loans which are in our national interest, but which might not be made by an international agency.

One difficulty here is that the Administration's efforts to balance the budget would be affected by large loans made by the Export-Import Bank, since such loans are a charge against the annual cash budget. The Bank should, therefore, consider using the means available to it to raise more of its funds from the private capital market.

(5) That the United States stand ready to give appropriate technical help to the Latin American countries that express a desire to work out more orderly ways of determining how their resources, including their borrowing capacity, can make the greatest contribution to their economic development. It is noteworthy that the International Bank has made valuable contributions in this field.

Often, public loans for transportation, power, and harbor development, for example, will lay the foundation for sound industrial development and thereby encourage private enterprise, both local and foreign. The lack of coordination in planning and lending now, however, is notable in some countries.

The purpose of technical assistance in this area should be to establish priorities of need, to develop project plans in ways that satisfy lending institutions, and to do this within the credit worthiness of each nation.

(6) That, in very unusual circumstances, the President of the United States be in a position to make grants of food from our surplus stocks to Latin American countries.

Everyone recognizes the validity of food grants to meet problems caused by famine. But a no less serious human emergency exists when a nation which normally imports a substantial percentage of its food is unable to buy and its people are on the verge of starvation.

If food grants should be made, it would be appropriate to require the government receiving the grants to set aside counterpart funds, equal to the value of the grant, to be used in expanding its domestic agricultural production.

(7) That the technical cooperation program in Latin America be expanded.

The provision of expert technical assistance has been and continues to be an effective method of helping the people of Latin America attain better health, higher industrial production, better education, improved agricultural production, and higher standards of living. It has made firm friends for the United States among governments and individual citizens throughout the Hemisphere.

We should continue the "servicio" type of administration—a device in which local people and United States technical personnel share responsibility for the work.

The consultative part of the task should, wherever possible, be assigned to an American university which, like Michigan State College in its relations with agricultural development in Colombia, is willing to assume the responsibility for technical guidance. Such an arrangement has many advantages. A typical American university has every type of specialist who can be called on for short or long-time assignments. Further, Latin Americans cherish relationships with our leading educational institutions.

In each "servicio" project, the policy of the United States should be to withdraw when that project has become well established, local personnel have been trained, and the local government is able to carry on. Thus, when an agricultural experiment station or a health center has been operating successfully for a time and local personnel are ready to take over full management, United States funds should be put into a new project where a pioneering contribution can be made.

This is the general policy now, though it is not always followed. My colleagues and I saw it in operation in public health work in Brazil, where originally the bulk of the total cost was borne by the United States. Today, the United States portion of the cost of a greatly expanded program is very small.

For most of the technical cooperation work in Latin America today, the governments of the countries in which the work is done provide two to three times as much of the funds as does the United States. In some countries the local contribution runs eight or nine to our one.

With the transfer of the technical cooperation program from the State Department to the Foreign Operations Administration, some have warned of the danger of submerging technical cooperation under the vast emergency programs which are administered for the benefit primarily of parts of the world other than Latin America. This should not happen. Fortunately, the Director of the Foreign Operations Administration is greatly interested in the technical assistance program, and I am therefore confident that it will be carried forward efficiently and in the spirit of cooperation which has made it so successful.

(8) That we continue our vigorous support of the various technical agencies operating as an integral part of our activities in the Organization of American States.

Particularly should we continue to support the work of the Inter-American Economic and Social Council and to encourage that organization to expand its successful multilateral technical cooperation program among the nations of the Hemisphere.

(9) That our Government also continue to support the work of the International Monetary Fund which has extended helpful short-term financial aid and valuable technical assistance to the nations of Latin America on their monetary and exchange problems. We should also give continuing support to the work of United Nations agencies such as the Economic Commission for Latin America, with headquarters in Chile, which is helping the Latin American governments to further their economic development through use of their own resources.

Finally, I urge the Administration, the Congress, and the people of the United States to take a long-range view as we consider how we may strengthen our economic relations with the nations of Latin America.

There is no doubt in my mind about the future of Latin America. Her people are on the march. They are determined to improve their standards of living. They have the resources and the manpower to do so.

Latin America is destined to be an economically powerful area of the globe. While it will always have economic relations with Europe and other parts of the world, its firmest and most extensive relations can and should be with the United States.

In the long view, economic cooperation, extended to help the people of Latin America raise their level of well-being and further their democratic aspirations, will redound to their benefit and to ours.

Working together, the nations of this Hemisphere can, if history should so decree, stand firmly against any enemy in war, and prosper mightily together in times of peace.

U. S. GOVERNMENT PRINTING OFFICE : O - 1953

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DECLASSIFIED
Authority NLE 77-21, #1
By KR NLE DATE 1/24/77

SUGGESTED STEPS FOR THE IMPLEMENTATION OF THE

REPORT TO THE PRESIDENT

U.S.-LATIN AMERICAN RELATIONS

1. In considering projects in Latin American relations the Cabinet should follow the general guidance of the President's comment in his memorandum of January 12 to the Secretary of State concerning Dr. Eisenhower's supplementary recommendations in which the President said "I am struck by the fact that a very small loan investment or grant on our part might reap very definite and extensive advantages to us."

2. The policy of the Export-Import Bank on economic development loans agreed on February 26, 1954 (Attachment A) between the Secretary of State and the Secretary of the Treasury should be carried out in a way that will yield the maximum benefit from the Export-Import Bank as an instrument of national policy.

3. On specific current items on which the Department of State has just initiated action, the Bureau of the Budget should

(a) cooperate with the Department of State in requesting a 1955 supplemental appropriation of about $975,000 for "Exchange of Persons" and $40,000 for Aid to American Schools, and

(b) cooperate with the Department of Commerce and the Department of State in requesting a 1955 supplemental appropriation of $7 million for the Inter-American Highway (to give more assistance to countries near Guatemala).

4. Although Panama was not mentioned in the Report to the President, it would be very valuable if the President were to ask all agencies concerned (principally the Department of Defense) to redouble efforts to give as much satisfaction and assistance to Panama as possible in matters which do not affect our fundamental rights -- e.g.

(a) more equitable treatment of Panamanian employees by U.S. agencies in the Canal Zone,

(b) reduction of non-essential commercial competition by U.S. agencies, and

(c) obtaining

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(c) obtaining legislation and appropriations to provide a $2 million annual economic development fund for 10 years in lieu of amending the annual Treaty stipend of $430,000.

5. Several of the recommendations made in the Report to the President will require continued or increased appropriations in 1956 and it would be valuable to have even at this time a general assurance of Administration support for

(a) a possible increase of $2 million or more in technical assistance by the Foreign Operations Administration (the present 1955 request of $23 million is considered ample for current expansion because of elasticity within the total appropriation;

(b) $8 million for the Inter-American Highway (which could be completed in about 7 years from now at this rate);

(c) $2 million for the Rama Road in Nicaragua (at this rate, this road given to Nicaragua because of our treaty option to build an inter-oceanic canal, could be finished in three or four years);

(d) About $2 million additional for the United States Information Agency in Latin America (the 1955 request is about $2.8 million);

(e) About $900,000 additional for U.S. contributions to Inter-American organizations (these have been cut down from 30 to 13 organizations in 6 years, and our contribution is about $3.6 million); and

(f) Other smaller increases may be found necessary in carrying out the many recommendations contained in the Report to the President.

A schedule of comparative budget items from 1953 to 1956 is attached (Attachment B).

Attachment A

LOAN POLICY PORTION OF SECRETARY OF STATE'S SPEECH FOR TENTH INTER-AMERICAN CONFERENCE AGREED TO ON FEBRUARY 26 BY SECRETARY OF THE TREASURY

There are to be sure development projects of the first magnitude which may not be suitable for or attractive to private capital -- domestic or foreign. The International Bank for Reconstruction and Development, which most of us here participated in establishing and to which the United States has made important capital contributions is, I believe, the primary instrument through which the free world can cooperate in the public financing of economic development.

We have also, in the United States, in the public financing field, the Export-Import Bank, a national institution of my own Government. One important function of this institution will continue to be that of affording export credits either through direct loans or guarantees.

There has been speculation as to whether this Bank has withdrawn from the field of economic development. I am glad to be able to clarify this matter. The Export-Import Bank will consider on their merits applications for the financing of development projects which are in a special category as not being made by an international agency, but which are in our common interest, are economically sound, are within the borrowing capacity of the requesting government and within the prudent loaning capacity of the Bank.

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Attachment B

Implementation of Milton Eisenhower Report

	1953	1954	1955			1956
	Actual	Program	Present Budget	Additional Requested	Total	Proposed
1. **Dept. of Commerce**						
Inter-American Highway						
Appropriation	1,971,431	1,000,000	1,000,000	7,000,000	8,000,000	8,000,000
Plus Carry-over	-	905,135	388,000	-	388,000	-
Rama Road	-	1,000,000	1,000,000	-	1,000,000	2,000,000
Total	1,971,431	2,905,135	2,388,000	7,000,000	9,388,000	10,000,000
2. **Foreign Operations Admin.**						
Bilateral Tech. Asst.	17,625,100	22,145,400	22,500,000	-	22,500,000	24,500,000
Plus Carry-over	-	200,000	-	-	-	-
Bolivia-Special Tech. Asst.	-	2,000,000	-	-	-	
Bolivia-Economic Aid	-	4,000,000	9,000,000	-	9,000,000	-
Bolivia-Famine Relief	-	5,000,000	-	-	-	-
Dependent Territories	4,300	196,600	500,000	-	500,000	500,000
OAS Tech. Asst.	955,957	1,000,000	1,500,000	-	1,500,000	2,000,000
Panama Development Fund	-	-	-	-	-	2,000,000
Total	18,585,357	34,542,000	33,500,000	-	33,500,000	29,000,000
3. **Mutual Security**						
Appropriation	8,642,464	15,000,000	15,000,000	-	15,000,000	10,000,000
Plus Carry-over	-	50,723,170	-	-	-	-
Total	8,642,464	65,723,170	15,000,000	-	15,000,000	10,000,000
4. **U.S. Information Agency**	6,107,109	4,115,580	5,905,567	-	5,905,567	8,000,000
5. **Dept. of State**						
ARA and Foreign Service	9,008,978	7,573,048	7,571,848	* 400,000	7,971,848	8,000,000
Int. Educational Exchange						
Exchange of Persons	800,628	668,277	726,110	973,403	1,799,513	1,800,000
American Schools	171,000	128,250	135,000	40,000	175,000	175,000
International Organizations						
Contributions	3,393,544	3,595,361	3,598,162	-	3,598,162	4,462,000
Missions	51,500	38,000	34,000	-	34,000	38,000
Total	13,425,650	12,002,936	12,065,120	1,413,403	13,578,523	14,475,000

* Certain economic and labor officer positions can be funded with FOA allotments for "support" in these fields.

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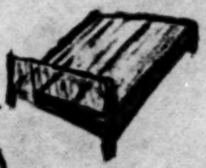
THE PRESIDENT

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, March 12, 1954

1. Statistics on Employment and Unemployment.
   (Dr. Arthur Burns)



2. New Stockpiling Policy for Strategic and Critical Materials. ✓ ✓
   (The Secretary of the Interior)

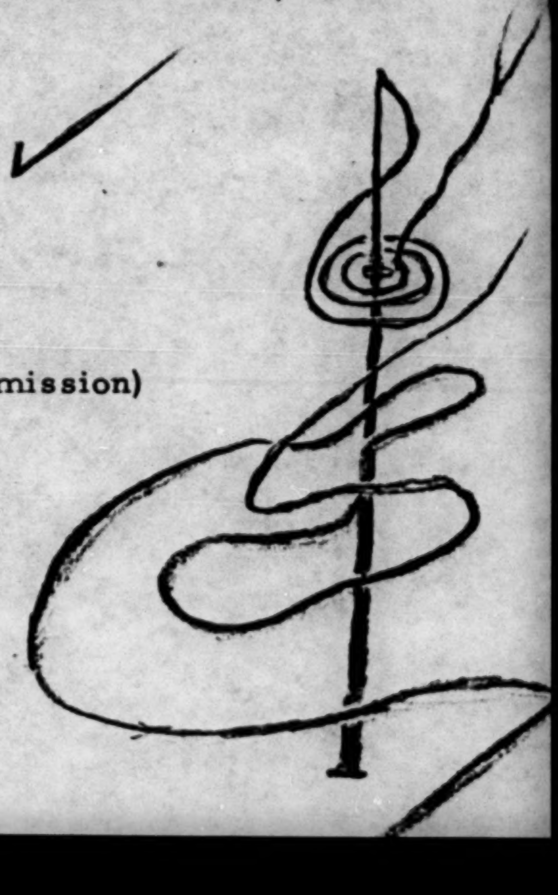
✓

3. Proposed Purchase of Copper from Chile.
   (The Director, Office of Defense Mobilization)

4. Spanish Wheat Agreement. ✓
   (The Director, Foreign Operations Administration)

Status of Pay Raise Bills in Congress. ✓
(General Persons)

6. Fair Employment Board.
   (The Chairman, Civil Service Commission)



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By GHC NLE, Date 8-3-76

MINUTES OF CABINET MEETING

March 12, 1954

10:05 A. M. to 12:25 P. M.

The following were present:

President Eisenhower

Vice President Nixon
    (for last item only)
Under Sec. W. B. Smith
    (for Sec. Dulles)
Sec. Humphrey and
    Under Sec. Folsom
Under Sec. Roger Kyes (left early)
    (for Sec. Wilson)
Mr. Brownell
Mr. Summerfield
Sec. McKay and
    Asst. Sec. Felix Wormser
Sec. Benson
Sec. Weeks
Sec. Hobby

Director Dodge
Mr. Flemming
Gov. Stassen
Chairman Young
Gov. Adams
Gen. Persons
Mr. Shanley
Dr. Hauge
Gen. Cutler
Mr. Martin
Mr. Rabb
Dr. Arthur Burns

Employee Security Program - The President noted the memorandum he had sent to the entire Cabinet concerning equitable treatment of Government personnel in connection with this program. He reported suggestions that the memorandum be published, but he did not wish to make it an official document. Gov. Stassen commented that the confidential nature of Presidential communications to the Cabinet should not be violated but that the memorandum might be publicized by other means. Mrs. Hobby, Mr. Flemming, and Sec. Benson all commented on the merits of the statement and the President asserted that he would have some one study further action.

Employment and Unemployment Statistics - Dr. Burns reviewed the three different estimates of employment and unemployment resulting from use of the old and new methods of sampling in conjunction with old and new formulae for computing estimates. He stated that the estimates for February all revealed increases in both employment and unemployment and indeed a growth in the total labor force in one month which far surpassed the normal annual growth, and thus cast great doubt on the reliability of the estimates. He outlined the studies underway for improving these reports and he suggested that increased funds would be necessary in order to secure trustworthy statistics. He reported a suggestion that the statistics ought be published quarterly or semiannually rather than monthly.

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Dr. Burns also reported that a small committee had decided arbitrarily to publish as the official figure only one estimate, but also to make available without comment or comparison the old-style estimate. The President asserted several times the desirability of telling the story in full before any controversy developed over it, thus justifying announcement of any change of plans in handling the estimates. Dr. Flemming, Mr. Dodge, and Sec. Humphrey agreed.

Dr. Burns reported the encouraging news that the length of the work week increased noticeably during February, thus forecasting a general increase in business activity. Mr. Weeks noted incidents which pointed to decrease of unemployment.

Gov. Stassen suggested that whenever several agencies published reports on a similar subject they ought make their reports conform as far as possible and at least with respect to the time and place reported upon.

The President stated that although the manner of presentation of statistics had to be discussed, the immediate need was to determine what to do about unemployment and when to do it. He noted the existence of countercyclical plans but the absence of recommendations as to when they should be put into effect. Mr. Humphrey recalled Sen. Douglas' warning that drastic action should not be undertaken before the unemployment level should reach 6 or 8%. The President replied that timely action would forestall need for drastic action and he wanted to insist at least upon preparedness to act at any moment. Gov. Stassen urged that several little measures -- perhaps such as a decrease of interest on new housing -- be undertaken immediately, with the possibility of slowing them up should the unemployment situation be corrected. Secretary Humphrey reviewed the many fiscal measures already taken, and he warned against radical actions which could not be turned on and off easily. He noted also that uncertainty as to the outcome of tax legislation was retarding business and that he preferred to wait until April or May for the situation to clarify. He commented on the inevitability of some unemployment in a time of reduced Government expenditure and he believed that the reaction to the readjustment was being held to a minimum.

Dr. Flemming agreed in general with Sec. Humphrey but suggested the desirability of initiating a tanker construction program as a feasible and helpful action, and Sec. Weeks agreed it might be desirable.

The President concluded the discussion by requesting Dr. Burns to appear at every Cabinet meeting to summarize briefly each week's developments so as to keep the entire Cabinet alert to the problem.

(Mr. Kyes departed during this discussion, as did Drs. Burns and Hauge at the end of it.)

Mineral Stockpile Policy - Dr. Flemming presented the report of the President's Mineral Policy Committee concerning mineral stockpile policy. He emphasized the recommendation for discounting transoceanic sources of supply by 100% and increasing stockpile objectives accordingly. Purchasing for these new objectives would be done at times most advantageous to the Government instead of at the current fastest possible rate. He noted also a proposal for "up-grading" raw materials into readily usable materials (stockpiling aluminum metal rather than bauxite). The President looked with particular favor upon the "up-grading" proposal,

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to which Secretaries Humphrey and Smith agreed. Sec. Weeks queried the source of funds necessary for larger stockpiles, but the President stressed stockpiling as a capital investment rather than an outright expenditure.

The policy was approved without objection by the Cabinet.

Purchase of Chilean Copper - Dr. Flemming reviewed the Defense Mobilization Board consideration of a proposal for purchasing 100,000 tons of Chilean copper at the prevailing market price provided the Chilean Government agrees not to sell copper to the Soviet Bloc. He placed before the Cabinet the question as to whether the US should, before making the agreement, insist upon passage by the Chilean Government of legislation eliminating economic practices which jeopardize American investments in that country.

Gen. Smith favored completion of the agreement prior to passage of the legislation so as to avoid any charge of pressure on the Chilean Legislature. Asst. Sec. Wormser noted the dependence of the US on Chile for copper. Sec. Humphrey agreed with Gen. Smith even though he disliked many aspects of the proposal and he urged care to prevent the development of any similar situation in the future where the US would have great need for Chilean copper.

In a discussion of the impact of the agreement on domestic copper producers, Gen. Smith noted that the action would tend to support the price at home and Mr. Flemming pointed to current improvement of the domestic copper situation.

It was agreed that the purchase should be carried through without insistence upon the Chilean legislation.

Spanish Wheat Transaction - Gov. Stassen presented a memorandum providing for the sale of $20 million worth of wheat to Spain in exchange for local currency which will ultimately be needed by the Defense Department. He cited the problem as to how any loss should be borne if the peseta declines in value prior to completion of payment. He stated that neither Defense nor Agriculture felt they should bear the cost of any devaluation and he recommended that the cost, if any, be divided between them.

The President reported Mr. Kyes' comment that Defense ought not be put in the position of having to underwrite foreign currency. Gen. Smith noted the desire of everyone to dispose of agricultural surpluses but without any cost to themselves. Sec. Humphrey thought the problem unworthy of debate since the Treasury in the last analysis would bear any cost, anyway. The President believed the amount involved was not sufficiently large to stimulate a devaluation by itself.

It was agreed that the transaction should be completed and that should any devaluation of the peseta occur the Departments concerned would attempt to decide among themselves how the costs should be borne; failing of agreement, the matter should be resubmitted to the President.

Yugoslav Wheat - Gen. Smith noted the willingness of Yugoslavia to buy wheat with dinars and believed authorizing legislation should be secured

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By ____ NLE, Date 1-21-77

to relieve FOA of the burden in this particular case. Gov. Stassen suggested that an expert be sent to survey the situation as was done in connection with the Pakistan wheat agreement.

Government Pay Raises - Status Report - Mr. Young reported on the willingness of Congressmen to support the principle of reclassification but with a tendency to approve an across-the-board increase. He predicted that the situation will become thoroughly confused when the Classification Act proposal is submitted to the Committees.

Mr. Summerfield expressed satisfaction with the progress of testimony before the Committee but felt that the tremendous pressures being exerted along with distortion of facts might require a compromise which would add to the Administration proposal a minimum increase of $100 and a provision for supplying uniforms.

Mr. Summerfield commented on the desirability of having the Senate Committee hold hearings on the postal rate increase prior to hearings on salaries.

In connection with Mr. Summerfield's expression of reluctance to publicize the facts widely, the President suggested that he arrange to appear at the meetings of the National Association of Editors and the National Publishers Association. The President also expressed disapproval of the unionizing of Federal employees.

Fair Employment Board - Chairman Young outlined the proposal for establishing a new advisory board concerned with fair employment practices among Government agencies to replace the existing board. The major change involved is to terminate the opportunity possessed by the existing board to force the President to choose between the Board and a Department head who failed to comply with recommendations by the board. The President requested Chairman Young to draft an appropriate Executive Order and bring it in for discussion.

(The Vice President joined the meeting at this point.)

Congressional Liaison - The President commented on the protests of the Senate leadership concerning the Army's release of a report on Private David Schine without first consulting the leaders. The President, the Vice President, and Gen. Persons all emphasized the desirability of prior consultation on any matters of general interest to the leadership, although it was pointed out that consultation with appropriate Committee Chairmen would be sufficient on matters of a purely technical nature.

The Vice President reviewed the developments in connection with this report and voiced his own conviction that it was essential that the Republicans take the initiative to dismiss the Subcommittee Counsel, Mr. Roy Cohn -- provided, of course, that the report was factually correct.

Jam
Minnich

Copies to:
√Mrs. Whitman
Mr. Rabb

THE WHITE HOUSE
WASHINGTON

PERSONAL AND CONFIDENTIAL

March 12, 1954

Dear Governor Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet meeting:

Statistics on Employment and Unemployment - It was the consensus of the Cabinet that a full presentation should be made of (a) the several results obtained from the various methods of sampling and computing employment and unemployment for the month of February and (b) the many complex factors affecting the validity of the statistics.

Mineral Stockpile Policy - The Cabinet approved the statement of Mineral Stockpile Policy which was prepared by the President's Mineral Policy Committee and presented by Mr. Flemming.

Purchase of Chilean Copper - The Cabinet approved the purchase of Chilean copper under the terms set forth in the memorandum presented by Mr. Flemming except that the condition stated in clause (3) of the first paragraph of the memorandum shall not be required.

Spanish Wheat Agreement - The Cabinet approved the proposed Spanish wheat transaction as presented by Governor Stassen with the understanding that should the peseta be devalued prior to completion of payment, the Departments concerned will determine among themselves as to how any loss shall be borne or -- failing agreement -- will resubmit the matter to the President.

Congressional Liaison - The President emphasized again the vital importance of informing the Legislative Leaders prior to undertaking any actions of concern to them. Advance notice to appropriate Committee Chairmen will suffice in matters of a purely technical nature.

Fair Employment Board - Mr. Young will prepare for the President's consideration a draft Executive Order for creating a new advisory board to be concerned with fair employment matters within the government.

Sincerely,

Maxwell M. Rabb

Maxwell M. Rabb
Cabinet Secretary

Honorable Harold E. Stassen
Director
Foreign Operations Administration

THE WHITE HOUSE
WASHINGTON

March 5, 1954

PERSONAL AND CONFIDENTIAL

MEMORANDUM FOR:
The Vice President
The Secretary of State
The Secretary of the Treasury
The Secretary of Defense
The Attorney General
The Postmaster General
The Secretary of the Interior
The Secretary of Agriculture
The Secretary of Commerce
The Secretary of Labor
The Secretary of Health, Education and Welfare
The Chairman of the Atomic Energy Commission
The Director of the Bureau of the Budget
The Director of Defense Mobilization
The Chairman of the Civil Service Commission
The Director, Foreign Operations Administration
The U. S. Representative to the United Nations

SUBJECT: Treatment of Governmental Personnel.

During the course of the past year, I have frequently expressed to the chief officers of the Executive Branch certain views pertaining to the handling of governmental personnel. A particular phase of this subject, often discussed among us, involves the security problem; we have proceeded on the theory that working for the government is a privilege and not a right. Adherence to this principle gives great initiative and authority to each responsible officer in proceeding against individuals whose records have created doubt as to their security in positions of trust and confidence.

I summarize below the views I have often before expressed on these matters:

(a) In these critical times, it is important that we have subordinates in whom we place the utmost confidence as to security and loyalty. We must be vigilant in discovering those in whom there is reason to have little or no confidence and to see that they are removed from positions in which they could ~~[illegible]~~ possibly do any harm.

[illegible] Library

PERSONAL AND CONFIDENTIAL

(b) Fairness, justice, and decency must characterize all the procedures that are set up to handle personnel; we cannot defeat Communism by destroying Americanism. We must observe every requirement of law and of ethics.

(c) Having assured ourselves of the efficiency and dedication of subordinates (a process that should continue all down the line), each superior, including me, must remember the obligations he has to his own subordinates. These obligations comprise, among other things, the protection of those subordinates, through all legal and proper means available, against attacks of a character under which they otherwise might be helpless.

(d) No hope of any kind of political advantage, no threat from any source, should lead anyone to foresake these principles of organizational leadership.

The above may be something of an over-simplification, but my purpose is merely to make of record certain essentials that have long been understood among us.

I realize that individual cases sometimes arise that may become subjects for Cabinet discussion or for consultation with me personally. In such instances, I know you feel the utmost freedom in bringing the matter to my attention.

cc: Gov. Adams

THE WHITE HOUSE
WASHINGTON

You want to bring the matter of releasing your memorandum regarding treatment of governmental personnel up at Cabinet meeting. (3/12/54)

Jim Hagerty suggests one substantial change.

Paragraph (a)

change "that they are removed"

to "that they continue to be removed"

UNITED STATES CIVIL SERVICE COMMISSION
WASHINGTON, D. C.

CHAIRMAN

March 9, 1954

Honorable Dwight D. Eisenhower
President of the United States

Dear Boss:

I have received the copy of your personal and confidential memorandum of March 5th on the treatment of governmental personnel.

This is an excellent statement, and it is my feeling that it should be made public. You may regard it as something of an over-simplification, but I regard it as basic and very much worthwhile.

Sincerely,

Phil

Philip Young
Chairman

PY:mdj

at Cabinet meeting
why not ask permission
to publish? If we
do - please eliminate ~~[illegible]~~
the word "loyalty" in (a) -
substitute "devotion"

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF DEFENSE MOBILIZATION
WASHINGTON

OFFICE OF THE DIRECTOR

March 8, 1954

Personal and Confidential

Dear Mr. President:

I appreciated very much receiving your memorandum of March 5th on "Treatment of Governmental Personnel".

It is the best statement on this subject that has been made.

I recommend that it be released so that the entire Nation will have the opportunity of becoming acquainted with it.

I believe wholeheartedly in your fourth point. The issue which confronts us has political overtones, but basically it is a spiritual issue involving our faith in the dignity and worth of each human being.

I am thankful for the leadership you are giving us.

Very sincerely and cordially yours,

Arthur

Arthur S. Flemming
Director

The President
The White House

Mrs. W. Remind me of this before next cabinet meeting - DE

March 24, 1954

PERSONAL AND CONFIDENTIAL

Dear Mr. Hoopes:

I have your letter of March 23 requesting confirmation of the decision made at Cabinet on March 12, 1954, concerning the proposed Spanish wheat transaction.

Following is the note included in the aide-memoire distributed to the Cabinet members concerned after that meeting:

> "The Cabinet approved the proposed Spanish wheat transaction as presented by Governor Stassen with the understanding that should the peseta be devalued prior to completion of payment, the Departments concerned will determine among themselves as to how any loss shall be borne or -- failing agreement -- will resubmit the matter to the President."

I am attaching a copy of the confidential memorandum presented at the meeting by the Director of the Foreign Operations Administration. You will note that Recommendation No. 5 -- approved by the Cabinet -- pertains to your question concerning reimbursement of your Department. Should you have further questions concerning the details of the reimbursement, I suggest you get in touch with the Secretary of the Treasury who was given the responsibility of managing the pesetas and the interdepartmental transfers.

Sincerely,

Maxwell M. Rabb
Cabinet Secretary

Mr. L. N. Hoopes
Executive Assistant to
  the Secretary of Agriculture
Washington 25, D. C.

Enclosure
Confidantial Memo 3/12/54 to The Cabinet from Foreign Operations Administration (no signature), subject: Spanish Wheat Transaction. (copy attached)

Art:

Would you please draft letter based on your records I can send Hooper? Thanks

Max

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON

March 23 1954

Hon. Maxwell M. Rabb
Cabinet Operations Officer and
Associate Counsel to the President
Room 210 - West Wing
The White House

Dear Mr. Rabb:

It is our understanding that at the Cabinet meeting of Friday, March 12, 1954, it was decided that the Department of Agriculture should sell approximately $20 million worth of wheat to Spain for pesetas.

These proceeds would be held by the Treasury Department and used to meet Defense Department and other U. S. agency obligations in Spain. Appropriated funds of these agencies would be used to reimburse this Department or the private U. S. trade for wheat supplied under the program. The question of how any appreciation or depreciation in the value of pesetas would be shared between this Department and the other agencies concerned, would be left for decision at a later date.

We would appreciate receiving confirmation of the Cabinet decision on this matter.

Sincerely yours,

L. N. Hoopes
Executive Assistant
to the Secretary

The President

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, March 19, 1954

1. Foreign Economic Policy and Message to Congress.
   (Mr. Clarence Randall)

2. Remarks. (Dr. Arthur Burns)

3. Specific Proposal for Barter of Agricultural Surpluses.
   (The Director of Defense Mobilization)

4. Report on Labor Situation. (The Secretary of Labor)

5. New Program for Control of Critical Materials.
   (The Director of Defense Mobilization)

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BWC NLE, Date 1-21-77

MINUTES OF CABINET MEETING

March 19, 1954

10:05 A. M. to 11:55 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Under Sec. W. B. Smith
(for Sec. Dulles)
Sec. Wilson
Sec. Humphrey
Mr. Brownell
Mr. Summerfield
Sec. McKay, and
Asst. Sec. Wormser
Under Sec. True D. Morse
(for Sec. Benson)
Sec. Mitchell
Sec. Hobby

Director Dodge
Mr. Flemming, and Mr. Charles Kendall
Gov. Stassen
Chairman Young
Amb. Lodge

Hon. Clarence Randall
Dr. Arthur Burns

Gen. Persons
Mr. Rabb
Mr. Harlow
Mr. Morgan

Foreign Economic Policy Message - The President indicated that Mr. Randall had prepared a fine message to go to Congress on this subject but that some differences of opinion still remained for settlement. Mr. Randall then reviewed the coordination and stated the objective of the message as an attempt by the President to keep strictly in line with the report rather than take a far-advanced position which would endanger support already gained from somewhat reluctant groups.

A memorandum of State Department recommendations for revision was presented and discussed. With respect to State's request for a sentence indicating the possible need of exceptional treatment for Japan, the President commented that Congress ought be given advance warning rather than have State later introduce the need unexpectedly. The Vice President commented that such a reference would not create problems on the Hill. Mr. Randall agreed to develop a suitable reference with General Smith.

On the suggestion that the proposal for three annual 5% tariff reductions be consolidated to 15% over three years so that full effect of the authorized reductions would not be lost by protracted negotiations during the first year, Mr. Randall stressed the prior extensive debate within the Commission and the heavy opposition which would be aroused by any change from the report. The President suggested that negotiations might be hastened and that in any event the legislation was designed to establish a pattern for policy throughout subsequent years when the State

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 1-21-77

Department might make up any losses. It was agreed that the message would not be changed in this respect.

The third proposed change, providing for the elimination of the 50-50 shipping clause, was rebutted by Secretary Weeks who reviewed the pertinent sections of the Commission's report. The President suggested that individual opinions might be given during testimony. Gov. Stassen recalled intense Congressional interest in this subject, and predicted the impossibility of change until a new subsidy plan is developed. Gen. Smith agreed.

The fourth State Department recommendation for a positive statement concerning stimulation of domestic mineral production required for security purposes by other means than tariff increases or through import restrictions, received the President's approval along with general Cabinet agreement.

It was agreed also to accept Secretary Humphrey's suggestion for eliminating a sentence concerning mineral policy which appeared to be contradicted by subsequent statements. Mr. Humphrey also commented on the problem of the relationship between importation of minerals and domestic production. Gen. Smith and Mr. Randall emphasized that the section in question pertained only to stimulation of domestic production.

The Attorney General strongly recommended against the provision for reducing the 5% differential connected with the Buy American Act, and he suggested that in default of legislation to this effect the Buy American Act should be applied on a case-by-case basis. He felt that Executive action would be regarded as an invasion of Congressional prerogatives, to which Mr. Flemming agreed. After Mr. Randall indicated that he had no strong feeling, the President upheld the Attorney General's view and favored substitution of a clause calling for determination on the basis of a reasonable percentage depending on the circumstances of each case.

Mr. Flemming cited a possible conflict between the message and the forthcoming recommendation of the Subcommittee on Minerals Policy, but Mr. Randall made it clear that the report and the message did not preclude use of tariffs to support domestic mineral production for reasons of the national economy; rather it ruled out only use of tariffs as a means of subsidizing defense industries. Mr. Randall responded to another query by Mr. Flemming to the effect that the Commission had carefully considered and decided against a recommendation to have the Tariff Commission in its proceedings take into account broad factors of foreign policy, etc.

National Economic Situation - In reviewing developments since publication of the Economic Report, Dr. Burns stressed both favorable and unfavorable factors. He noted that the economic decline was no longer one of inventory readjustment alone but had changed slightly in nature, in part because of the decline in government spending. On the other hand, he noted that construction contracts continue to rise, that machinery orders have picked up, that the stock market is strong, that interest rates have fallen, that commodity prices are steady, and that the money supply is larger. In addition, the work week is lengthening and there are signs that the unemployment increase is coming to a halt. He concluded that judgment of the situation ought be withheld at this time but that the CEA is proceeding rapidly with the development of plans in case of need.

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By SJKc NLE, Date 1-21-77

Gov. Stassen suggested that the general confidence in financial circles is based on confidence that the Administration will take timely action when necessary, and he suggested that the time had arrived for increasing government purchasing or other such action. Dr. Burns agreed with the estimate concerning confidence but Sec. Humphrey believed, on the contrary, that it was a confidence based on belief that the Administration will follow a sound policy instead of acting prematurely.

Gov. Stassen and Dr. Burns agreed that retail sales have fallen off seriously during the last two weeks.

It was noted by Sec. Humphrey and others that economic trends will figure largely in the debate on personal income tax exemption increases. The President suggested that as the key reason for the Administration to undertake counter efforts now, and the Vice President agreed that if anything sound can be accomplished now it should be undertaken soon rather than several months later.

Sec. Humphrey agreed that the Administration could well initiate now such things as it would do eventually in any event.

The President requested Dr. Burns to have the CEA proceed with its studies and determine what actions ought be taken at this time.

Barter of Agricultural Surpluses - Mr. Flemming presented a proposal recommended by the Defense Mobilization Board for exchanging gem diamonds from the stockpile for industrial diamonds as a means of implementing a barter transaction of $4 million worth of wheat. Presidential approval would be required for the transfer of the diamonds but it could be effected under authority given him to act "for purposes of the common defense". Mr. Flemming indicated that the ODM counsel had affirmed the legality of such action, but he agreed further at the President's request to ask the opinion of the Department of Justice.

The President also indicated that appropriate Congressional leaders should be consulted on the question since approval for it might be regarded as a violation of the spirit of the pertinent laws.

Report on Labor Situation - Secretary Mitchell reported the favorable situation in regard to railroad labor negotiations and indicated the likelihood of early agreement. He noted also that the number of strikes in January, 1954, was at a four-year low, and 20% lower than in January, 1953. He interpreted this as a general trend toward industrial quietude which may result from the general economic situation or to some degree from the Administration's "hands off" policy. He stated that the dock situation continues to be bad.

In response to a query from the Vice President, the Secretary foresaw no indications of any major politically inspired work stoppages prior to the elections.

He indicated that the Defense Department was not seriously concerned as to the situation involving Army transports, and he believed that the situation did not justify Presidential intervention on the grounds of military necessity. Mrs. Hobby hoped that all Army shipping might be diverted from New York so as to avoid unnecessary involvement.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BWC NLE, Date 8-3-76

Defense Materials System - Mr. Flemming reported on the simplified Defense Materials System which has been prepared for early publication. As his memorandum revealed, it provided for concentrating allotments in the major producers of defense items rather than having them carried on through the long range of subcontractors. He noted that it would reduce tremendously the paper work of both industry and government. Mr. Flemming reviewed the coordination of the proposed system with other agencies and industries. He, Sec. Weeks, and others reassured the President that the new system was not open to demagoguery with regard to any favoritism toward large contractors.

Caracas Conference - Amb. Lodge called attention to the sterling performance of Sec. Dulles at Caracas and commented on the value of a friendly policy toward Latin American countries as shown in the results of the conference.

Employee Security Program - The President commented on the report of the Civil Service Commission and stressed the desirability of avoiding any further publicity on the subject. In connection with problems of testimony at Congressional hearings faced by Sec. Humphrey, Sec. Wilson, and others, it was agreed that the breakdown of statistics recently announced by Chairman Young should be the pattern for all similar reports. Sec. Hobby and Gen. Smith emphasized, and the President confirmed, the desirability of applying the same policy to military personnel in order to avoid any precedents which could not be followed by other agencies. The President particularly emphasized the lack of facilities for definitive investigations which would allow final judgments to be made as to loyalty or disloyalty. It was agreed that the concept of security risk rather than disloyalty determinations must be the policy of the Administration.

The President raised the problem of differentiating honorable service from that of government employees released for security reasons. Chairman Young pointed out that any individual whose performance was questioned could request a letter of recommendation from his department head and, if need be, could appeal to Civil Service to have his record cleared.

LAM
Minnich

Copies to:
Mrs. Whitman
Mr. Rabb

~~CONFIDENTIAL~~

CHANGES PROPOSED BY
THE DEPARTMENT OF STATE
IN THE
PROPOSED PRESIDENTIAL MESSAGE TO THE CONGRESS ON
FOREIGN ECONOMIC POLICY

The Department of State believes that the Presidential message on the Report of the Commission on Foreign Economic Policy should be modified in the following respects:

1. It should indicate that in view of the special economic problems of Japan and the fact that Japan has not appreciably benefited from prior reciprocal trade action, it may be necessary to make special provision for negotiations with Japan.

✓ 2. It should modify the language recommended by the Report of the Commission on Foreign Economic Policy with respect to possible 5% tariff reductions in each of the three years of the new act, so that there will in fact be an effective possibility for a total 15% reduction. The present language makes this 15% illusory since the first 5% almost surely will be lost by the time lag in completing tariff negotiations.

3. It should adopt the recommendation of the Commission on Foreign Economic Policy that the 50-50 shipping clause in our aid legislation and other statutes should be eliminated.

✓ 4. It should indorse unequivocably the recommendation of the Commission on Foreign Economic Policy with respect to stimulating domestic mineral production required for security purposes by other means than tariff increases or other import restrictions.

THE WHITE HOUSE
WASHINGTON

PERSONAL AND CONFIDENTIAL

March 19, 1954

Dear Governor Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet meeting:

Foreign Economic Policy Message - Approval was given the proposed Presidential Message to Congress on foreign economic policy as modified by discussion at the meeting.

Counter-Cyclical Planning - The Council of Economic Advisers will this week study and Dr. Burns will subsequently present to the Cabinet counter-cyclical opportunities immediately available.

Barter of Agricultural Surpluses - Mr. Flemming will coordinate with the Department of Justice the proposal he presented for bartering agricultural surpluses for industrial diamonds, and it will be discussed at the next Legislative Conference.

Employee Security Program - Emphasis was placed on the necessity of having a uniform method throughout the government -- to be applied with respect to both military and civilian personnel -- for reporting on security risk separations. The Cabinet noted the impossibility of compiling statistics on the basis of disloyalty; and it was agreed that all reports on this subject will conform to the pattern set in the announcement recently made by Chairman Young.

Simplified Defense Materials System - The amended DMS regulations which were reported by Mr. Flemming will be published in the near future.

Red Cross Campaign - The Postmaster General, speaking as Chairman of the Government Section of the Red Cross drive, urged increased effort by the departments and agencies for fulfillment of quotas in the current Red Cross campaign.

Sincerely,

Maxwell M. Rabb

Maxwell M. Rabb
Cabinet Secretary

Honorable Harold E. Stassen
Director
Foreign Operations Administration

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF DEFENSE MOBILIZATION

Barter of Agricultural Surpluses for Industrial Diamonds

The Commodity Credit Corporation is authorized by law to accept strategic materials in exchange for their value in agricultural surpluses. In the past it has done so and has been reimbursed in dollars upon the transfer of the industrial diamonds to the stockpile. A current offer of industrial diamonds for wheat has been declined because the Corporation could not be reimbursed in stockpile dollars, the stockpile goal for industrial diamonds having been reached.

There are at present in the stockpile a quantity of diamond gem stones acquired by non-reimbursable transfer as surplus from the Customs Bureau and the Reconstruction Finance Corporation. Their use as industrial diamonds would be very wasteful, since their market value per karat is several times that of industrial diamonds.

The company currently proposing to take wheat for diamonds has now made the further proposal to deliver industrial diamonds to the stockpile in exchange, at Government valuation, for the gem stones and to purchase wheat of the same value from the proceeds of its sale of the gem stones. The major problem presented by the proposal is the exchange of stockpile gem stones for industrial diamonds.

The Stock Piling Act provides for the sale of stockpile material no longer needed, after notice to the Congress, and the proceeds of such sales do not remain available for the purchase of other materials but are covered into the Treasury. It provides for the rotation of stocks subject to deterioration without notice to the Congress. It provides for the processing of materials in the stockpile into a form more useful to war industry. It does not provide for exchanges.

There is available to the President under the Act the right to release materials for "use, sale, or other disposition . . . when in his judgment such release is required for purposes of the common defense."

The question presented is whether the President should authorize the exchange of the stockpile's gem stones for industrial diamonds as a measure "required for purposes of the common defense" on the ground that it would (1) accomplish a net increase in the usefulness of the stockpile in time of war without cost to the Government and (2) move a quantity of agricultural surpluses.

March 12, 1954

EXECUTIVE OFFICE OF THE PRESIDENT
Office of Defense Mobilization

DMB Meeting No. 51
March 17, 1954
Staff Paper

SIMPLIFIED DEFENSE MATERIALS SYSTEM

The Department of Commerce has completed plans for simplifying the Defense Materials System and amended DMS Regulations are ready for publication.

Extensive consultation has been held with private industry as well as selected individuals from industry who have had direct experience in key spots in government in the administration of production controls during War II and the Korean experience. Wide agreement has been reached on the principles incorporated in the new regulations.

In connection with the allotment procedure for the prime contractors, differences in operating methods that characterize different industries made it necessary to develop a compromise procedure. The industry differences were confined to the question of whether the passing of allotments should be cut off at the prime contractor or continue through to their first tier suppliers. A strong case was made that some important industries producing military equipment would find it difficult to maintain an accurate knowledge of materials requirements unless the allotment flow and related interchange of information between the prime contractors and their principal suppliers were continued. For this reason, the simplified system proposes cutting off allotments after the first tier of direct suppliers to the prime contractors. It permits the prime contractors, however, to confine future allotments to only a relatively few principal first tier suppliers.

Swift and effective conversion from the present partial mobilization to an all-out mobilization can be accomplished if a minimum framework of a production control system exists on M-Day. If such a framework does not exist, diversion of materials and resources to military production can only be accomplished through uncontrolled priority ratings. Past experience has demonstrated that this approach has the unfortunate effect of badly distorting the industrial economy and reducing both military and non-military production by destroying the balanced flow of materials, components, and sub-assemblies needed to complete required end items on schedule.

It is recommended that the simplified Defense Materials System be adopted and retained as an essential mobilization preparedness measure as long as the international situation makes such preparedness necessary.

Attached are two enclosures discussing the proposed simplified system and certain additional measures in this direction now under development.

Enclosure 1

Staff Paper

Simplified Defense Materials System

Revised regulations to simplify the Defense Materials System are about ready for publication. The purpose of simplification is to retain a minimum framework of the present system in the event it becomes necessary to expand controls quickly, and at the same time reduce to a small fraction the work and record keeping currently required of industry producing for military and atomic energy programs.

The operations of the present Defense Materials System are essentially the same as the Controlled Materials Plan except that it is limited to military and atomic energy programs and production by industry to fill orders generated by these programs. The Department of Defense and the Atomic Energy Commission prepare in advance of each calendar quarter their requirements for steel, copper and aluminum (controlled materials) that will be consumed in the production of the desired quantities of defense supplies and equipment and the construction of facilities needed by these defense agencies. After review of these requirements, the ODM issues allotments of the controlled materials to the defense agencies while the steel, copper and aluminum producers are directed to produce and reserve (mill set asides) adequate quantities of the materials to satisfy the allotments.

The allotments given to the Department of Defense and the Atomic Energy Commission, constituting approved levels on defense programs, are re-allotted down through these agencies to prime contractors in industry producing defense products. In this way, the prime contractors receive, in effect, a guaranteed bank of controlled materials needed to satisfy the production required of them to fill military and Atomic Energy Commission contracts. They also receive, concurrently, authority to use a preference rating to permit them a preferred order position in obtaining components and materials, other than controlled materials, to fill their defense contracts.

The prime contractors, under the present system, distribute this bank of controlled materials and preference rating authority to all of their suppliers of Class A items and parts (generally specially designed for defense products) by authorizing production schedules and making allotments of quantities of the controlled materials to each direct supplier. The same process is then followed by each supplier with respect to his suppliers and continues down through the supply chain until a bank of materials and rating authority is established with every company in industry producing Class A items and parts of military and atomic energy supplies and equipment.

The present DMS requires each of these companies to keep books on the allotments received and record disbursements in the form of orders placed with controlled materials producers and suppliers as well as allotments passed down to component and parts suppliers. Under the complete CMP which preceded the Defense Materials System, a similar process of allotment distribution and accounting was required of industry producing civilian and common use metal-consuming products and components. This was discontinued with CMP and the supply of these Class B products needed for the defense programs is accomplished by the use and extension of a simple preference rating which accompanies defense purchase orders for these products.

The proposed changes introduced to simplify the Defense Materials System are intended to eliminate a great bulk of this complex structure of allotment passing and record keeping now required of industry producing special components and parts on defense orders. This is done by cutting off all allotments below the prime contractors and their direct suppliers. Thus, the many component and parts producers in successive layers in the supply chain will use a simple preference rating to obtain materials and components to fill defense orders and will discontinue all allotment passing and allotment accounting.

The proposed simplified system, in addition, permits the prime contractors to further simplify allotment accounting for themselves and their direct suppliers. This is accomplished by giving the prime contractor the option of confining allotments and specific allotment accounts to his suppliers producing heavy forgings, castings, and major subassemblies and parts which, in the aggregate, together with his own use of controlled materials, account for 85% or more of the total materials allotted for the production of his product. The relatively large number of suppliers producing the small components and parts for his product would then, to the extent prime contractors exercise this option, be released from the allotment system and would operate, insofar as their defense production is concerned, by use of a simple preference rating in the same way as Class B product producers do under the present system.

The net result of the proposed changes will place the great bulk of defense procurement transactions in industry on a simple preference rating basis. The requirements-allotment structure in the defense agencies and the relatively small nucleus of principal defense contractors are retained. This, when coupled with the identification achieved by the use of preference ratings for the balance of defense procurement in industry, provides an ample framework for quickly expending positive allotment control in the event of a stepped-up or all-out mobilization.

Attached are charts showing the flow of transactions under the simplified DMS and illustrating the drastic reduction in work required in industry to operate it.

Attachments.

Enclosure 2

Staff Paper

Simplified Defense Materials System (Further Simplifications under Development)

In addition to the major steps simplifying the Defense Materials System in industry discussed in enclosure 1, other measures in this direction are under development. It is hoped that these additional measures can be perfected in time to become effective concurrently with the publication of the revised DMS regulations which are now ready.

These additional measures are intended to accomplish a parallel reduction in work and record keeping within the defense agencies. Therefore, a proposal is under study for confining allotment-passing and detailed allotment accounting in the Department of Defense and the Atomic Energy Commission to the few major programs and selected principal defense items in those programs that account for the bulk of controlled materials consumed by the total defense program. Preliminary investigation promises that 500 to 1000 principal military type items such as aircraft, aircraft engines, tanks, ships, weapons and ammunition will account for around 85% of the total steel, copper and aluminum requirements of the military program. Allotment control and accounting would be retained within the Department of Defense over this limited number of items. The great number and variety of personal equipment and miscellaneous military items now under direct allotment control would be obtained by use of a simple preference rating, and prime and sub-contractors producing them would be relieved entirely from the job of passing down allotments and maintaining allotment accounts.

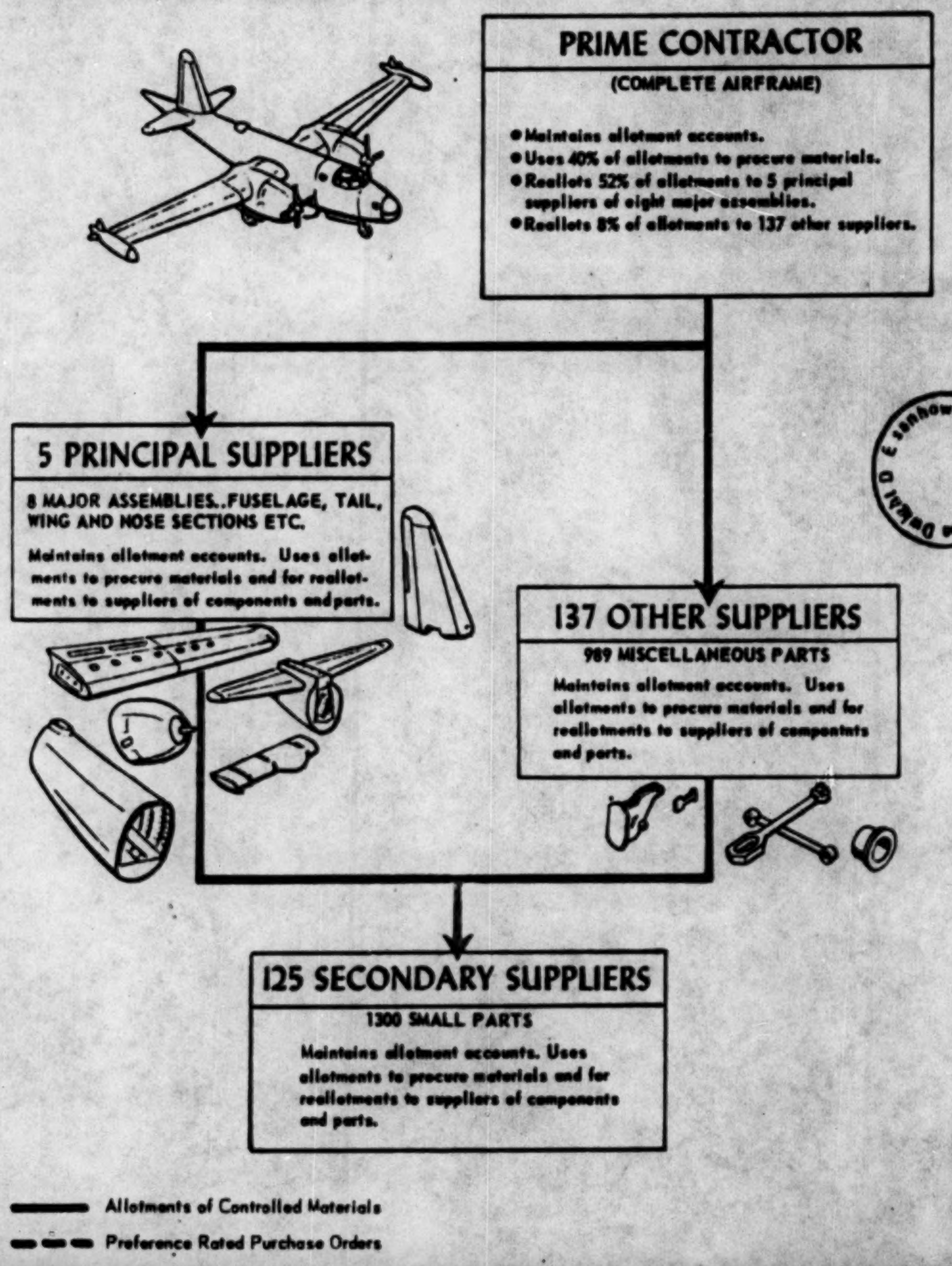
The net effect expected from this study would be to reduce the allotment structure in the military departments to a minimum skeleton of the present structure and confine allotment transactions between the Department of Defense and industry to a relative handful of the few hundred largest military prime contractors. When coupled with the industry simplification discussed in enclosure 1, the result would be the maximum reduction of allotment-passing and allotment accounting in government and in industry while an adequate framework would be retained for quick expansion of direct allotment control if that should become necessary.

Another change being considered to reduce allotment activity is the adoption of a "small order" procedure. This would authorize the military departments to simply rate contracts for military items where the quantities of materials required for their production on a given contract are less than a specified "small order" amount. Contractors producing on these small orders would, therefore, not receive allotments; and they and their A product suppliers would not be required to pass down allotments or maintain allotment accounts.

FLOW OF MATERIALS ALLOTMENTS

under present system

268 SUPPLIERS UNDER ALLOTMENT CONTROL



PRIME CONTRACTOR

(COMPLETE AIRFRAME)

- Maintains allotment accounts.
- Uses 40% of allotments to procure materials.
- Reallots 52% of allotments to 5 principal suppliers of eight major assemblies.
- Reallots 8% of allotments to 137 other suppliers.

5 PRINCIPAL SUPPLIERS

8 MAJOR ASSEMBLIES..FUSELAGE, TAIL, WING AND NOSE SECTIONS ETC.

Maintains allotment accounts. Uses allotments to procure materials and for reallotments to suppliers of components and parts.

137 OTHER SUPPLIERS

989 MISCELLANEOUS PARTS

Maintains allotment accounts. Uses allotments to procure materials and for reallotments to suppliers of components and parts.

125 SECONDARY SUPPLIERS

1300 SMALL PARTS

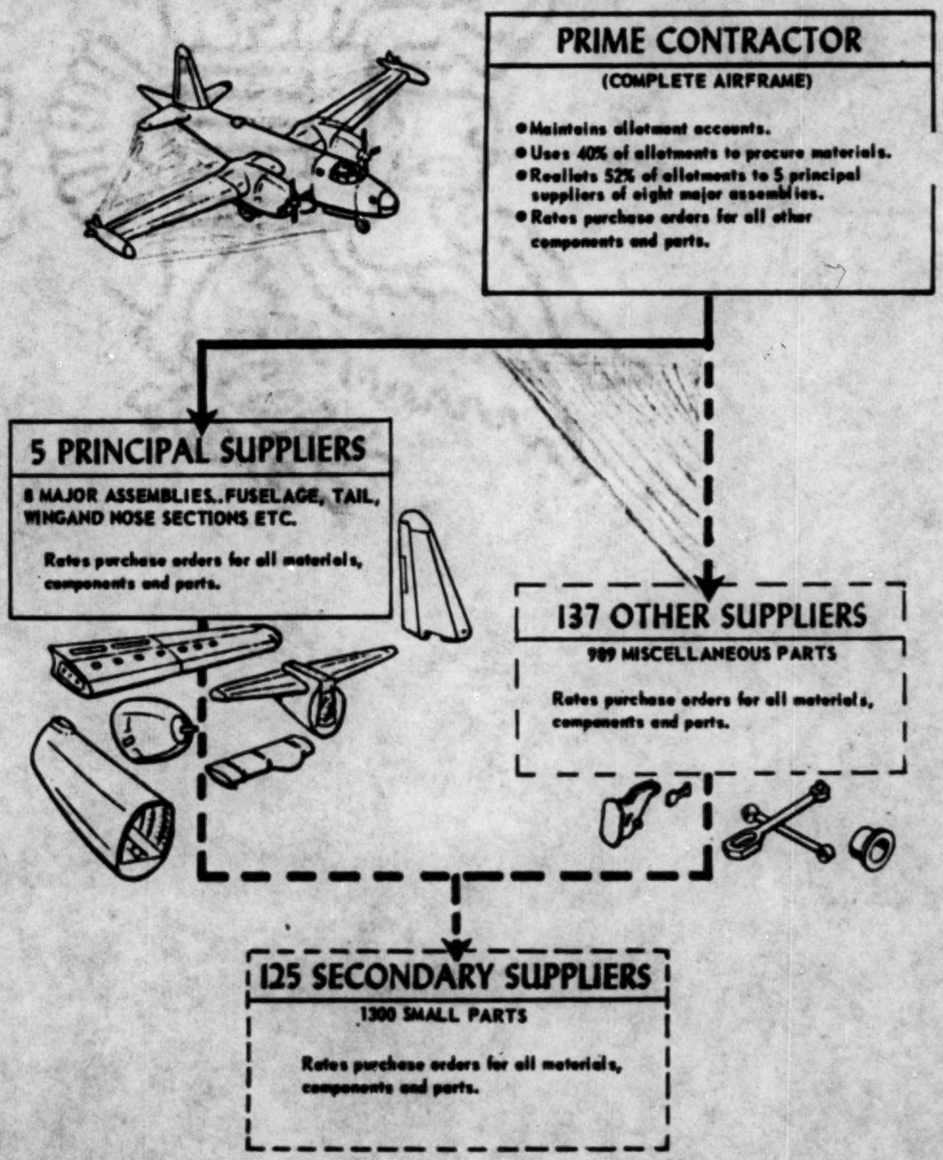
Maintains allotment accounts. Uses allotments to procure materials and for reallotments to suppliers of components and parts.

Allotments of Controlled Materials

Preference Rated Purchase Orders

under simplified system

ONLY 6 SUPPLIERS REMAIN UNDER ALLOTMENT CONTROL



PRIME CONTRACTOR

(COMPLETE AIRFRAME)

- Maintains allotment accounts.
- Uses 40% of allotments to procure materials.
- Reallots 52% of allotments to 5 principal suppliers of eight major assemblies.
- Rates purchase orders for all other components and parts.

5 PRINCIPAL SUPPLIERS

8 MAJOR ASSEMBLIES..FUSELAGE, TAIL, WINGAND NOSE SECTIONS ETC.

Rates purchase orders for all materials, components and parts.

137 OTHER SUPPLIERS

989 MISCELLANEOUS PARTS

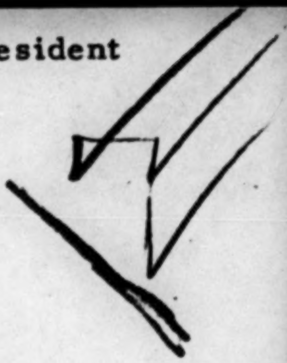
Rates purchase orders for all materials, components and parts.

125 SECONDARY SUPPLIERS

1300 SMALL PARTS

Rates purchase orders for all materials, components and parts.

The President



THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, March 26, 1954

1. The Situation in Indo-China.
(The Secretary of State)

2. Administrative Steps to Stimulate Business.
(Dr. Arthur Burns)

3. Status of Tax Program.
(The Secretary of the Treasury)

4. Developments in New York Dock Strike.
(The Secretary of Labor)

5. Federal Employees Compensation Program.
(The Secretary of Labor)

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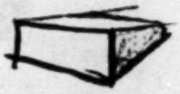
2,500,000



2.500,000

43

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By BHC NLE, Date 1-21-77

MINUTES OF CABINET MEETING

March 26, 1954

10:00 A. M. to 11:50 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles
Sec. Humphrey
Sec. Wilson
Mr. Brownell
Mr. Summerfield
Asst. Sec. Fred G. Aandahl
(for Sec. McKay)
Sec. Benson
Sec. Weeks
Sec. Mitchell

Director Dodge
Mr. Flemming
Gov. Stassen
Chairman Young
Amb. Lodge

Dr. Arthur Burns
Gen. Persons
Mr. Rabb
Mr. Shanley
Dr. Hauge
Mr. Jackson

Indo-China - In reviewing the situation in Indo-China, Secretary Dulles emphasized the political implications of the battle for Dien Bien Phu, the impact on EDC, the discussions with General Ely, the colonialism factor, and the vital strategic position of Southeast Asia.

Counter-Cyclical Action - Dr. Burns outlined the several possibilities for countering the economic decline through purely administrative actions and without increased budgetary cost, including modification of Federal Reserve Board requirements, management of the national debt, changes in VA and H&HFA mortgage and modernization regulations, alteration of tax depreciation policy, quickening of domestic procurement, and expeditious decision of cases pending before Administrative agencies where they involve business expansion. He suggested also the possible flexibility of expenditures in fiscal 1955 without recourse to new appropriations, and he urged prompt enactment of certain parts of the Administration's legislative program.

Secretary Dulles stressed the need for maintaining off-shore procurement, especially to counterbalance other factors related to world trade in this time of crisis, and Gov. Stassen noted the imminent action to expand dollar purchases by our allies in conjunction with off-shore procurement agreements. Gov. Stassen also expressed hope that action would be taken on the opportunities suggested by Dr. Burns, and he went on to cite statistics he had checked with Dr. Burns in regard to decline of new housing.

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E.O. 11652, Section 1
By NLE, Date 8-4-76

The President recalled that action had been taken a year previously to check inflation and that now seemed to be the time for liberal action to stimulate the economy. He requested Dr. Burns to prepare a list of pending legislative items useful in this respect which he might present at the next Legislative Conference. He also emphasized the need for careful attention to public relations in regard to this subject.

Secretary Humphrey indicated that mortgage rates are already declining, but he cautioned against expectations of immediate effectiveness of some of the items. He agreed that the Administration ought get started on additional actions.

Gov. Stassen noted an imminent increase of foreign purchases in the United States and Secretary Wilson pointed to the beginning of the spring quickening in the auto industry. Director Dodge noted that the budgetary implications of the Administration program now before Congress verge on one billion dollars.

Secretary Weeks suggested more rapid action on the tanker production program, to which the President agreed.

Tax Program - Secretary Humphrey reviewed the status of tax legislation and urged that full responsibility for the excise legislation now in Conference be placed on the Congress, with Administration advice limited to pressing for speedy action. The Cabinet so agreed.

Secretary Humphrey saw the present outlook for the revision bill as favorable, and he asserted that the Administration ought firmly oppose any change whatsoever. He outlined in response to the President's query the steps being taken to develop support in and out of Congress for this bill.

The President urged that Cabinet members utilize every opportunity to present the merits of the tax program particularly as it serves to create jobs. He spoke of his own plans for an informal broadcast designed to give perspective to national problems and emphasize the need for replacing hysteria with reason.

Secretary Wilson then presented his effort to take a positive approach to problems, as in connection with showing the Senate Armed Services Committee the effective action being taken to eliminate Communists in the Armed Services.

New York Dock Strike - Secretary Mitchell recounted the widespread efforts to eliminate racketeering in the dockworkers union and also the action by the NLRB since last fall. He suggested that the situation in New York contained elements of a lock-out as well as a strike, for members of the new AFL-sponsored ILA are willing to work. He emphasized the need for non-intervention by the Federal government, except that an injunction ought be quickly sought against the tugboat strike just begun and court action on the dock strike ought be hastened. He characterized the strike as a last-gasp effort by the old ILA.

In a discussion of the request for Federal intervention from the Mayor of New York, the President recalled that he had directed all of his appointments

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with private citizens on labor matters to be arranged through the Secretary of Labor.

Federal Employees Compensation Program - Secretary Mitchell stated the proposal for transferring from the Department of Labor to the individual departments and agencies the responsibility for costs of this program. He stated that the unduly high accident frequency rate in government resulted from lack of financial responsibility in the separate establishments. The proposal would not take effect prior to fiscal 1955.

The President expressed his approval.

Disposal of Surplus Real Estate - Mr. Dodge informed the Cabinet of the program initiated by Budget and General Services Administration, following expressions of Congressional interest, to take inventory of surplus real estate holdings and develop disposal programs. He requested strong support for the task force composed of representatives of the departments and agencies concerned.

The President suggested that a close examination be made of land held in connection with reservoir projects, a matter about which he has received numerous complaints.

Fort Worth District Postal Office - The President called to Mr. Summerfield's attention the protests he has had from Fort Worth citizens in regard to the transfer of a district headquarters to Dallas after eighteen years of being located in Fort Worth.

LaM
Minnich

Copies to:
Mrs. Whitman
Mr. Rabb

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

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PERSONAL AND CONFIDENTIAL

March 26, 1954

Dear Governor Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet meeting:

Counter-Cyclical Activity - Dr. Burns will confer with each of the Administration officials involved with a view to giving early effect to the several possibilities for counter-cyclical activity which he discussed. He will also prepare for use at the next legislative conference a list of the items in the President's program on which rapid Congressional activity is most to be desired for counter-cyclical purposes.

Secretary Weeks will complete preparation prior to Monday morning of the proposed tanker construction legislation.

The President urged that all Cabinet members utilize every opportunity for public presentation of the actions undertaken by the Administration to create jobs, including the objectives of the tax program in this respect.

Tax Program - It was agreed that the activity of the Administration in connection with the pending excise legislation should be directed to speedy completion of legislative action.

Federal Employees Compensation Program - The Cabinet approved the proposed legislation for placing financial responsibility for this program in the individual departments and agencies instead of concentrating it in the Department of Labor.

Disposal of Surplus Real Estate - Cabinet members were requested to give strong support for the program for disposal of surplus real estate which is being carried on by a special taskforce under the direction of the Bureau of the Budget and General Services Administration. Attention was directed specifically to the letter of December 29, 1953, on this subject and sent to nine Cabinet departments and eight other agencies.

Sincerely,

Maxwell M. Rabb

Maxwell M. Rabb
Cabinet Secretary

Honorable Harold E. Stassen
Director
Foreign Operations Administration

THE WHITE HOUSE
WASHINGTON

SUMMARY AGENDA FOR THE CABINET MEETING

Friday, March 26, 1954

1. The Situation in Indo-China.
(The Secretary of State)

There is a general misunderstanding regarding this situation. It has been suggested that the Secretary of State brief the Cabinet Members on this subject.

2. Administrative Steps to Stimulate Business.
(Dr. Arthur Burns)

At the last Cabinet Meeting, the President asked Dr. Burns to develop some specific recommendations which could be undertaken in order to give immediate stimulus to business. Dr. Burns has done some work on this and is prepared to begin a discussion on the subject.

3. Status of Tax Program.
(The Secretary of the Treasury)

In addition to giving information, one of the purposes of this brief presentation is to enlist the continued help of Cabinet Members to push through the tax program.

4. Developments in New York Dock Strike. ✓
(The Secretary of Labor)

A brief statement of the current situation in New York.

5. **Federal Employees Compensation Program.**
(The Secretary of Labor)

The Bureau of Employees Compensation is presently located in the Labor Department. There is an abnormally high accident rate in the Government departments and the Secretary of Labor, backed by the Director of the Budget, feels that the present system of providing a general fund from which the Department of Labor pays all compensation claims carries no inducement to the various governmental departments to reduce the cost of the compensation program by means of effecting safety programs in each department.

NEW HOUSING STARTS (Thousands of Units)

Max

These are the figures I referred to. Arthur Burns agrees they are correct

Harold

	1952	1953
July	102.6	96.7
August	99.1	93.2
September	100.8	95.1
October	101.1	90.1
November	86.1	81.5
December	71.5	68.0

	1953	1954	Percentage Decrease
January	72.1	66.0	-8.5%
February	79.2	73.0	-7.8%
	——	——	
Totals (8 months)	712.5	663.6	-6.9%
March	105.8		
April	111.4		
May	108.3		
June	104.6		

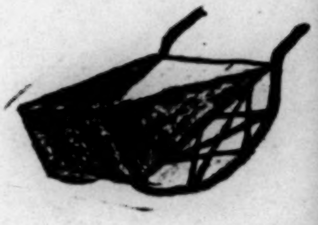
Stassen

The President

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, April 2, 1954



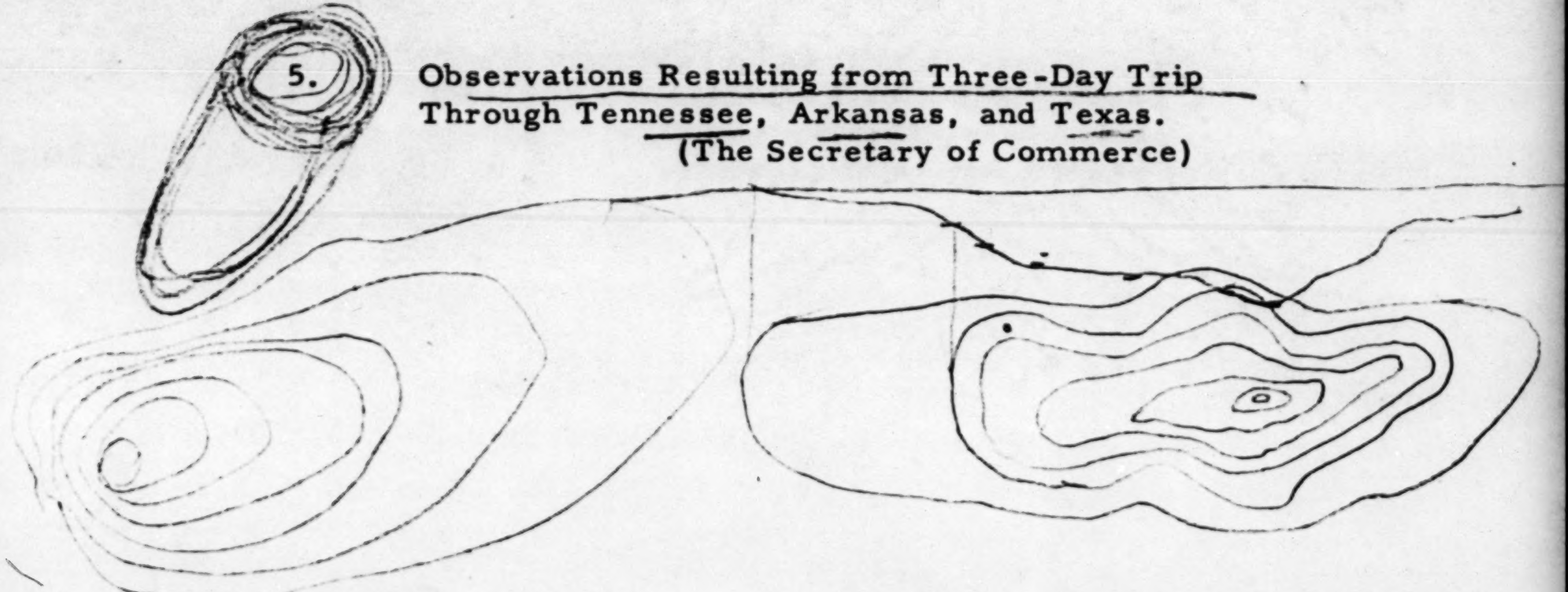
1. Report of the President's Mineral Policy Committee. (The Secretary of the Interior) ✓

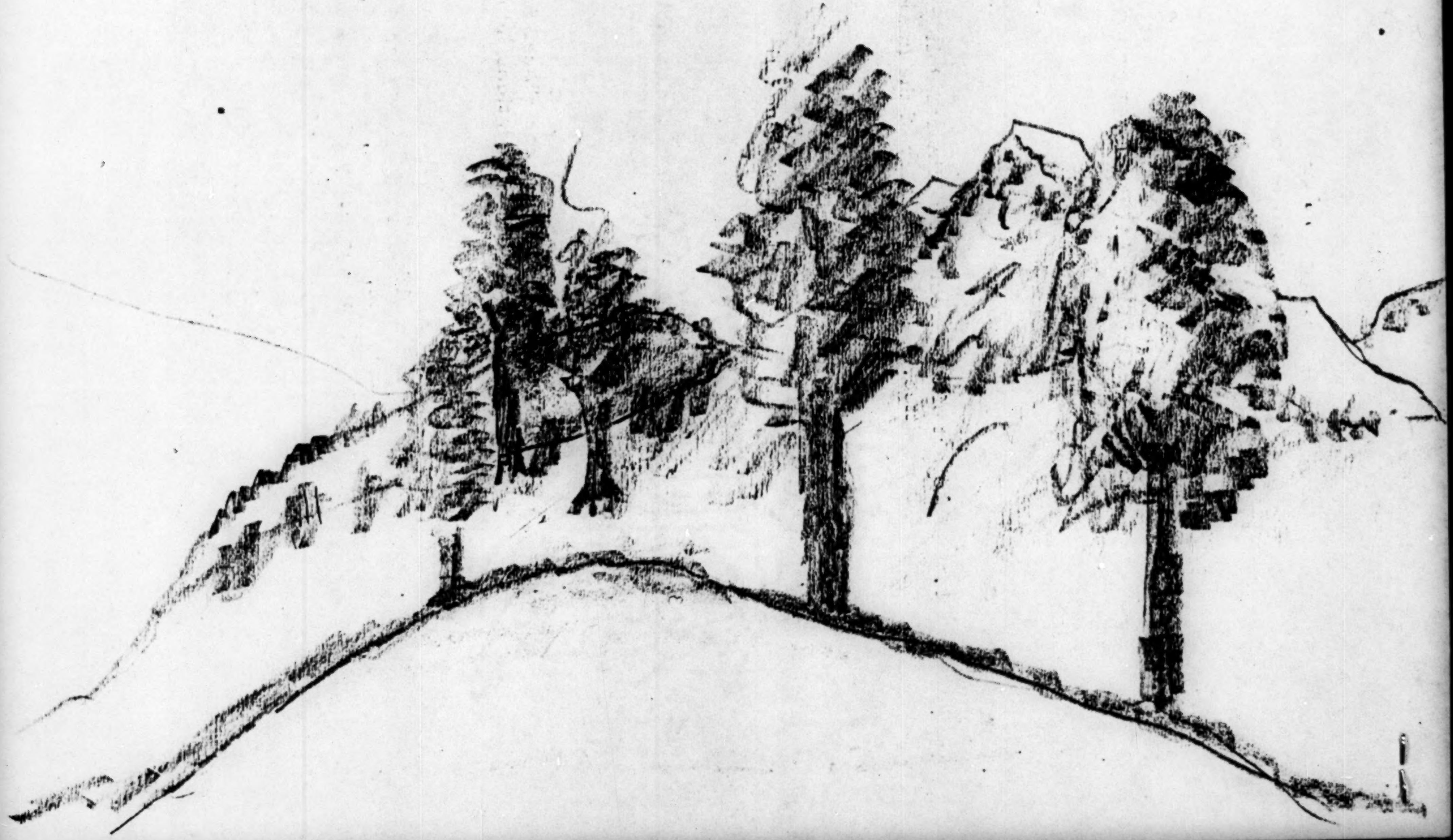
2. Outlawing the Communist Party. (The Attorney General) ✓ ✓

3. The Policy Recommendation of the Council of Economic Advisers. (Dr. Arthur Burns) ✓

✓ 4. Foreign Operations Program for Fiscal Year 1955. (Director, Foreign Operations Administration) ✓

5. Observations Resulting from Three-Day Trip Through Tennessee, Arkansas, and Texas. (The Secretary of Commerce)





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By GHC NLE, Date 3-17-77

MINUTES OF CABINET MEETING

April 2, 1954

10:05 A. M. to 11:30 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Under Sec. W. B. Smith
  (for Sec. Dulles)
Sec. Wilson
Under Sec. Marion B. Folsom
  (for Sec. Humphrey)
Mr. Brownell
Mr. Summerfield
Sec. McKay
  and Asst. Sec. Felix Wormser
Sec. Benson
Sec. Weeks
Sec. Mitchell

Deputy Director Rowland Hughes
  (for Director Dodge)
Mr. Flemming
Gov. Stassen
Chairman Young

Dr. Arthur Burns
Gov. Adams
Gen. Persons
Mr. Rabb
Mr. Shanley
Dr. Hauge
Mr. Harlow (very late)

Mineral Policy - Assistant Secretary Wormser (Interior) summarized the memorandum prepared by the President's Mineral Policy Committee. He restated the long-range stockpile policy already made public, and he emphasized the recommendations of the Committee for (a) Treasury Department review of the tax structure, (b) strengthening the present program of financial assistance for mineral exploration, (c) expansion of Interior Department exploration activities, (d) improved information program on mineral resources and production, (e) expansion and coordination of Interior Department metal research activities with other agencies and private research, (f) development of closer Government-industry relations, (g) closer coordination of all Government agencies' mineral activities.

Mr. Folsom indicated that the Treasury Department has already undertaken the tax revision studies and will continue them. Mr. Flemming thought it desirable to delay the report by this Committee if possible to develop specific activities foreseen in some of the recommendations for continued study. Gov. Stassen questioned the possibility of an adverse foreign reaction to publication of this memorandum since it seemed to weaken commitments made in the stockpile policy announcement.

Sec. Wilson cautioned against over-expansion of stockpiles which might lead to much undesirable Government activity directed to stabilizing the market

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by buying and selling. The President noted the existing law which prohibits such activity, and added a comment as to the impossibility of determining with any assurance of accuracy what our future needs will be in time of war.

Mr. Flemming noted quickly a proposal by the JCS for having stockpile objectives revised on a different basis than at present and urged that the whole problem be examined further prior to undertaking the revision. The President agreed.

Mr. Hughes pointed to the possibly serious budget implications which made further study advisable, and Mr. Flemming noted that until ODM estimates now being prepared are completed only a rough estimate of an eventual cost of $3 billion can be made, and that the annual cost would vary depending upon market prices.

Dr. Hauge strongly urged that the report not be published now since the heart of it had already been made public and the remainder would, for lack of definitive proposals, merely create some needless apprehension. The President and Cabinet so agreed.

Internal Security Legislation - The Attorney General summarized action already taken to protect against Communist activity within the United States, noting the recent action by the Subversive Activities Control Board, the deportation program, and the Smith Act. He stated that a very strong power will be available if the courts uphold the Control Board's ruling which would require registration with the Attorney General by the Communist Party and its members. He reviewed also the proposals previously approved by the Cabinet and now pending in Congress with regard to wiretap, immunity, and expatriation legislation. He then described the content of two bills being prepared by Justice for extending the powers of the Defense Department against security risks in plants holding security contracts and for eliminating Communist leadership from organizations connected with security production. These bills will be circulated in the normal manner from the Bureau of the Budget.

Gen. Smith noted that the total program will have the effect of outlawing the Communist Party without becoming involved in the constitutional complications of actual outlawry. The Vice President suggested that Cabinet members in testimony on the Hill avoid stating a position with respect to outlawry proposals initiated within Congress.

The President noted that the Attorney General would make a broadcast the following Friday which ought help make clear the Administration's ability to handle any problem of internal subversion.

Counter-Cyclical Action - Dr. Burns restated the basic principle of the Council of Economic Advisers as presented to the Cabinet in January, emphasizing preventive action, simultaneous activity "on several fronts", and a constant readiness to act. He repeated also that subsequent action ought extend to tax reductions, then, if the economic decline still continued, to creation of new jobs by Government spending which would avoid competition with private industry.

Dr. Burns then indicated that the continued economic decline now called for action as suggested at the preceding Cabinet meeting with respect to Federal Reserve modification of regulations, short term funding by Treasury, VA rule

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By BHC NLE, Date 3-17-77

changes, immediate repayment by Internal Revenue for over-assessment claims prior to adjudication, early decisions on proposed public utility expansion cases, and consultation with the State Governors to accelerate public works projects. The President stated that these things should be done without delay insofar as possible but recognized that the authority of the Executive over the independent Commissions was limited. Gov. Adams commented that even with the Commissions the Executive Branch possessed an advisory power with respect to broad policy.

The President commented on the need for proper handling of public announcements on these matters to avoid any cause for decreased confidence.

Mr. Summerfield described the Post Office plans for expanding physical plants which if approved by Congress would provide an important stimulus. Sec. Weeks announced the unemployment figures for March and interpreted them as a "leveling out" of the situation. Sec. Wilson noted the strong upturn in the automobile industry, and Sec. Folsom noted the negotiations now going on with the Federal Reserve Board in regard to reserves.

Dr. Burns concluded the discussion by emphasizing the unique condition of business plant expansion and construction contracts continuing at a very high level throughout nine months of general decline. He attributed this factor to the confidence of the people in the Administration's ability and determination to maintain a stable economy. He stressed the delicacy of this factor and stated his fear as to what the outcome might be if the Administration showed signs of timidity or impotence.

Foreign Operations Program for Fiscal 1955 - Gov. Stassen presented a series of charts showing the proposed activities of FOA for the coming year which will require an estimated $2½ billion of new appropriations. He regarded as particularly significant the termination of economic aid for Europe (except the new Spanish program), the plans for implementing Dr. Milton Eisenhower's report on South America, the great desirability of food programs such as those for Berlin and for Western Europe last Christmas, which had the added merit of utilizing agricultural surpluses. He noted that the Technical Cooperation program is resulting in an increased demand for American equipment, and he pointed out that FOA personnel has been reduced considerably -- in Paris by 56%, in Washington by 24%.

Public Relations and Public Opinion - Sec. Weeks reported on his trip through Tennessee, Arkansas and Texas where he found considerable confidence in the national economy and signs of improved business. The decline of retail sales was the major adverse effect to be noticed. He found also that many people wanted more information as to what the Administration had in mind should a recession develop.

Sec. Weeks also pointed to the effectiveness of small, informal, off the record meetings prior to major public appearances, and he suggested that other Cabinet members might find them profitable also. He noted particularly the dramatic impact of statistics showing the tremendous increased cost of military equipment between World War II and now.

Minnich

Copies to:
Mrs. Whitman
Mr. Rabb

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THE SECRETARY OF THE INTERIOR
WASHINGTON

MAR 31 1954

Dear Mr. President:

In your letter of October 26, 1953, you appointed us as a Committee to study the problems relating to the production and utilization of metals and minerals and to make recommendations for national policies in this field. This is an interim report covering our basic conclusions and recommendations.

The guidelines of our work were laid down in your letter:

1. To make sure that we have available mineral raw materials to meet any contingency during the uncertain years ahead.

2. To meet the ever-growing mineral requirements of an expanding economy.

3. To preserve the added economic strength represented by recent expansion of facilities by the domestic mining industry, through policies that would be consistent with our other national and international policies.

You suggested that the prudent use and development of domestic mineral resources and assured access to necessary sources abroad are indispensable to the operation of an active economy and a sound defense.

In response to these instructions, the members of the Committee have examined existing policies affecting the production and utilization of minerals. We have reviewed the various acts of Congress and programs pursuant thereto. We have drawn freely upon the many studies made in this and related fields and upon the knowledge and experience of Federal agencies concerned with minerals. We should mention especially the report of the President's Materials Policy Commission, the report of the Commission on Foreign Economic Policy, Hearings before the Special Subcommittee on Minerals, Materials and Fuels Economics of the Committee on Interior and Insular Affairs, United States Senate, and various statements by officials of industry and organizations in the mining and minerals fields.

Overriding in importance and influence in any consideration of policies relating to mineral production and utilization is the security of the Nation.

The lack of available metals and minerals has in the past proved to be a weak link in American security. Acute shortages have handicapped the Nation in three emergencies during the past 40 years. On each occasion, we have had to make frantic efforts to stimulate production at home and abroad. In each instance these efforts have resulted in the development of productive facilities in excess of normal peacetime demand and have required serious postwar adjustments.

The Committee has, therefore, examined with care the existing status and progress of mobilization planning and the stockpile of strategic minerals. We have made recommendations designed further to reduce the risks inherent in depending upon materials from relatively inaccessible foreign sources in times of emergency.

We have recognized also that the domestic mineral industry must contribute in varying degrees to the mineral raw material base for any future mobilization effort and have sought to devise ways and means of maintaining or achieving proper levels of efficient domestic production required as an adequate component of the mobilization base.

Finally, the Committee has offered a number of recommendations which we believe will foster a full and orderly program for the development and conservation of our natural resources.

EXPANDED STOCKPILE OBJECTIVES

Twice within the last 15 years, we have been drawn into international conflicts with almost no stockpile of essential raw materials. The absence of an adequate stockpile caused us in 1942-1944 and again in 1950-1952 to plunge headlong into expensive and strain producing expansion programs to obtain what we had to have and which a stockpile, accumulated in advance, could have supplied. Our past mistakes caused us to divert scarce materials, manpower, military forces, as well as money, to produce at the most difficult time what we might have had on hand had we acted in advance.

The Committee believes that these tragic experiences point up the need for a more adequate stockpile of critical materials to meet the tremendous surges of demand that come with war.

Our first recommendation to you, therefore, is the adoption of a new bold stockpile policy.

The present stockpile objectives are minimum objectives, intended to make up for anticipated loss of, or serious interference with, foreign sources of strategic materials in a five-year war period. In general, estimates are made of the wartime requirements (consisting of military, AEC, industrial, essential civilian, and essential exports) and estimates are also made of the supplies expected to be available in wartime from domestic production and from strategically accessible foreign sources. Safety factors make some provision for estimated shipping losses, political instability in foreign countries, and the danger of relying on concentrated sources. Where wartime supplies do not meet requirements, the indicated deficit is generally the minimum stockpile objective. These minimum objectives, however, still assume substantial wartime imports. As of December 31, 1953, minimum stockpile objectives for all materials were valued at approximately $6.8 billion and approximately $4.2 billion worth of materials were physically on hand. A total of 75 materials are being stockpiled and of these 55 are metals and minerals. Dollarwise about 80% are metals and minerals. It has been Government policy to acquire these minimum objectives as rapidly as possible, and under the Defense Production Act commitments of over $6 billion have been made to expand supplies of materials to meet current defense purposes and stockpiling. Accelerated tax amortization is also used where appropriate. Materials are acquired with assisted expansion preferably located within the United States, or alternatively, in strategically accessible foreign sources. When an objective is largely on hand, the Government gradually reduces the rate of procurement to withdraw from the market with a minimum unsettling effect.

RECOMMENDED CHANGE IN MINERAL STOCKPILE POLICY TO REDUCE, OR WHERE POSSIBLE ELIMINATE, FORESEEABLE WARTIME RISKS BY ESTABLISHING "LONG-TERM" STOCKPILE OBJECTIVES

The President's Cabinet Committee on Mineral Policy recommends that the President instruct the Office of Defense Mobilization to establish "long-term" mineral stockpile objectives which would authorize acquisition of materials beyond levels indicated by existing minimum objectives. The new objectives should be calculated further to reduce dangerous and costly dependence on sources of materials outside of the United States and accessible areas as defined by the National Security Council, as well as to eliminate in wartime production programs the necessity for conservation measures so stringent as to jeopardize essential war-supporting activities.

Policies now in effect covering acquisition of materials to meet minimum stockpile objectives should be continued, but acquisition of materials to meet the increment between minimum and "long-term" objectives should go forward under limitations hereinafter stated.

To the degree that minerals are stockpiled within the United States prior to the start of a war, there will be less need, or no need at all, for forced-draft wartime expansion of raw materials production involving unreasonable increases in prices or substantial Government investment. Likewise, there will be less need for stringent wartime allocations, ceiling prices, and limitation orders on raw materials. In addition, stockpiling can greatly reduce the need for diversion of naval, air, and military efforts to the secondary task of protecting overseas sources of materials and supply lanes when they should be employed in the primary task of fighting the war.

UN Dag Hammarskjöld Library

In calculating these "long-term" stockpile objectives, particular attention should be given to the large-bulk items which in wartime would require great tonnages of ocean shipping. In addition, the possibilities of destruction of key metal and mineral producing facilities in the U.S.A. and in strategically accessible sources should be assessed in view of the development of atomic weapons, and appropriate provision should be made for additional stockpiling where required.

Acquisitions beyond the existing minimum stockpile objectives to achieve the "long-term" objectives should be made only under comprehensive acquisition plans developed by the Office of Defense Mobilization. Such acquisitions should take place ordinarily at such times as the Government decides that purchases will help to reactivate productive capacity and in other ways to alleviate distressed conditions in connection with domestic mineral industries that are an important element of the Nation's mobilization base. Accordingly, in making purchases preference should be given to newly-mined metals and minerals of domestic origin. Acquisitions may also continue to be made by obtaining strategic and critical metals and minerals in exchange for surplus agricultural commodities (which have already been paid for by the Government); and by transferring to the stockpile surplus metals and minerals generated under the Defense Production Act, the Surplus Property Act, and other legislation.

In acquiring metals and minerals for the "long-term" stockpile objectives, care should be exercised to avoid interfering with the normal relationships of regular trade in the United States and in friendly foreign countries. Where more than one agency of the Government is involved in these transactions close coordination by ODM will be required.

Materials in the stockpile may be upgraded to the point at which they are more readily usable in the economy--whereby electric power, transportation, manpower, facilities, and time--all of which will be short in time of war--are also stockpiled. Upgrading stockpile materials should be done only when it can be accomplished at favorable prices and in periods of lowered economic activity, thus providing both domestic employment opportunities and the maintenance of plants and facilities which are essential elements of the mobilization base.

All materials acquired must be held in the strategic stockpile under all of the safeguards provided by the present Stockpile Act.

MAINTAINING DOMESTIC PRODUCTION FOR MOBILIZATION

The Cabinet Mineral Policy Committee recognizes that a strong, vigorous and efficient domestic mineral industry is essential to the long-term economic development of the United States. The domestic mineral industry must contribute in varying degrees to the mineral raw material base for any future mobilization effort.

In addition to our need for domestic mineral production, it must be recognized that there are many important minerals where efficient domestic production is entirely lacking or inadequate to meet industrial and defense needs and where, as a consequence, stockpiling and accessible foreign sources must be relied upon.

The Cabinet Mineral Policy Committee recommends that the supply-demand situation for each of the metals and minerals be evaluated periodically on a case-by-case basis to establish the proper level of efficient domestic production required as an adequate component of the mobilization base. When it is found that the level of such production in the case of any particular mineral is, or is likely to become, insufficient to serve as an adequate component of the mobilization base, a comprehensive program involving the best use of all of the various existing authorities of the Government should be developed to maintain or to achieve that level of domestic production. In the event that the present authorities of the Government are inadequate to accomplish the desired objective, appropriate legislative recommendations should be prepared.

MOBILIZATION PLANNING FOR MINERALS

Mobilization planning for the mineral producing industries involves preparation of basic information on present and future mineral producing capacity in the U.S.A. and in foreign countries, including assessment of the extent of mineral reserves. The level of production that must be maintained in peacetime for each mineral must be established, in order to ensure an adequate mobilization base for war. Industry must frequently be consulted so that it is aware of Government mobilization requirements, and, conversely, the Government must make plans that will enable the mineral industry to retain essential technical and skilled personnel, and to obtain necessary machinery, power, transportation and maintenance, repair, and operating supplies. Even where stockpile objectives are achieved there is still a need for detailed mineral mobilization planning since stockpile objectives assume certain levels of production in wartime. Moreover, there are many important minerals for which no stockpiling is presently being attempted.

Prior to World War II there was almost no mobilization planning for minerals, although the War Industries Board of World War I had clearly pointed out the need for such planning. During World War II the War Production Board--a temporary agency--handled most of the allocation and expansion activities. After the start of the Korean War responsibility for the mobilization program was divided among several regular Government agencies.

The Office of Defense Mobilization (ODM) is responsible for overall mobilization planning activities of the Government but those activities relating to minerals have been reduced to a bare skeleton basis and divided among several agencies.

The Committee recommends, therefore, that the ODM, without relinquishing its primacy in the field of mobilization planning, delegate to the Secretary of the Interior responsibility for detailed mobilization planning for metals and minerals producing industries.

The Bureau of Mines and the Geological Survey, within the Department of the Interior, presently collect most of the basic information on mineral productive capacity and mineral uses that is essential for intelligent and detailed mobilization planning. In addition, Interior is already responsible for solid and liquid fuels and for domestic mineral exploration.

Officials of ODM, Interior, and other agencies having mobilization responsibilities in this field have conferred and are defining the scope of this proposed delegation.

It is anticipated that the negotiation and administration of contracts and financial assistance measures will remain in the General Services Administration.

DEVELOPMENT OF DOMESTIC RESOURCES

In addition to security considerations, the Committee believes that an orderly development and wise use of the Nation's resources is an essential element in a strong and sound economy.

A major objective of mineral policy is a full and orderly program for the development and conservation of the country's mineral resources.

Mineral resources are wasting assets. A ton of ore extracted from the earth does not renew itself. Long-range programs to promote conservation, however, cannot be achieved by locking up our resources for some indefinite use in some indefinite future. True conservation is the wise and full use of resources in which the utmost value is achieved and future supply assured. This entails intensive search for new deposits and development of new properties in order that adquate levels of reserves may be maintained.

Mining is a time consuming and expensive operation. Today's mine production is the result of planning, development and risk taking of years ago. Exploration for mineral deposits requires substantial venture capital--much of it a total loss. Development of new deposits requires heavy investment in equipment, housing, transportation facilities to serve remote areas, and frequently the perfection of new techniques for mining and treatment of ores.

Mines of the future must be planned today--not a decade hence.

The Committee believes that the Government has an obligation to assure that the mineral resources of the Nation be developed, conserved, and utilized in the best possible manner over the longest possible period in order to enhance its security and commerce. Development of mineral resources is, of course, primarily a function of private enterprise. The Government must, however, continue to assist in many ways.

The Committee believes that the search for new sources of mineral wealth within the United States needs to be pressed more vigorously. Evidence obtained through geologic investigations suggests that abundant mineral wealth awaits discovery.

A more adquate appraisal of the Nation's mineral assets would enable Government and industry more wisely to plan to meet security requirements. A greater knowledge of mineral resources made available to industry would tend to stimulate greater investment in development and production.

To encourage the optimum economic development of domestic mineral resources, the Committee offers the following recommendations:

1. That the Treasury Department in consultation with interested agencies undertake a careful study of the tax structure as it affects the discovery and production of minerals and make appropriate recommendations. (The Committee has submitted to the Department of the Treasury a statement of objectives to be sought, and has suggested a number of items for study. Officials of the Department of the Treasury and of the Department of the Interior have met and the study is now under way.)

2. That the program of financial assistance to private industry for exploration such as that now administered by the Defense Minerals Exploration Administration be strengthened and continued. (The Director of the Office of Defense Mobilization and the Secretary of the Interior have recently approved a substantial expansion of this program.)

3. That the Department of the Interior, the Federal agency with major responsibilities in this field, accelerate those activities which must precede or supplement private exploration such as topographic and geologic mapping, geologic research and the development of geochemical and geophysical theories and techniques.

4. That the Department of the Interior, through the Bureau of Mines and the Geological Survey, expand direct exploration activities aimed at the discovery of new mineralized areas or critically short materials essential to security but that work in this field be confined to that which provides data as to the probable location and general potential of mineral deposits, and, further, that this type of search be undertaken by the Federal Government only when it clearly is in the national interest and when it is reasonably certain that the work will not be done by private industry.

5. That the Secretary of the Interior be directed to develop recommendations for such revisions of the mining laws as may be desirable to recognize and thus encourage the use of newer methods of exploration.

6. That the Secretary of the Interior take such steps as may be necessary to strengthen and coordinate the collection and dissemination of facts concerning the Nation's mineral resources and factors pertaining to their production and utilization.

7. That the Department of the Interior intensify its program of mineral and metal research aimed at the development of latent

resources, new mineral raw materials and improved utilization of existing raw materials, and coordinate its mineral and metal research with that of other Federal agencies and, as practicable, with research by industry.

(Implementation of recommendations pursuant to 1 and 5 may require additional legislation. Authority for No 2 is contained in the Defense Production Act of 1950, as amended.

Adequate authority exists for the implementation of the remaining recommendations but appropriations above present levels will be required.)

GOVERNMENT-INDUSTRY RELATIONS

The Committee believes that the objectives sought by mineral policy can be more effectively achieved if closer cooperation can be developed between the Government and the mineral industries.

We recommend that the Secretary of the Interior undertake to work out ways and means of establishing and maintaining through some workable body the contacts between industry and Government necessary to give force and effect to policies recommended herein.

COORDINATION OF GOVERNMENT ACTIVITIES

The Committee gave consideration to proposals designed to achieve a greater degree of coordination of the Government's activities in the field of metals and minerals. It is, of course, not possible to consolidate in a single agency all of the Government's function's relating to minerals. Such functions are often essential parts of larger areas of responsibility. It seems desirable, however, to improve the machinery for continuing interagency consultation and cooperation.

The Committee has recommended the delegation by the Office of Defense Mobilization to the Department of the Interior of certain mobilization planning functions. The Committee would like to consider the question of further coordination after the details of this delegation shall have been worked out.

The Committee is continuing to give attention to the development of more specific recommendations regarding modifications of the tax structure that would serve to attract additional investment capital into the domestic mining industry. Agencies represented on the Committee are also preparing programs looking toward prompt implementation of the various recommendations agreed upon.

A number of staff documents have been prepared which have been of great assistance to the Committee in formulating its conclusions, and recommendations. Some of these may be distributed more widely in the near future.

We recommend that the Mineral Policy Committee continue for a period of time to provide a focal point for reviewing and making recommendations as necessary on national policies affecting metals and minerals.

Sincerely yours,

Secretary of the Interior, Chairman

Secretary of State

Secretary of Commerce

Director, Office of Defense Mobilization

The President

The White House

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS

May 17, 1954

The attached statement has been prepared by the Council of Economic Advisers at the request of the President.

Arthur F. Burns
Chairman

Attachment

Council of Economic Advisers
May 17, 1954

THE ADMINISTRATION PROGRAM FOR ECONOMIC EXPANSION

In his Economic Report of January 1954 President Eisenhower said: "Our economic goal is an increasing national income, shared equitably among those who contribute to its growth, and realized in dollars of stable buying power. To achieve this goal, the dynamic forces of our society must be fully released. Accordingly, Government programs must be designed to help maintain reasonable stability during periods of readjustment and to encourage long-term growth."

This Administration has always held the steady growth of the economy to be its positive objective. It is not satisfied by such merely negative aims as erection of defenses against depression, or the curbing of economic setbacks. Nor will it tolerate stagnation of the American economy. The aim of this Administration is a dynamic one—to foster a steady expansion of the economy at the highest sustainable rate while maintaining stable prices and a dollar having constant purchasing power.

Reasonable Targets of Economic Expansion, 1954-59

The growth potential of the US economy is truly remarkable. Without engaging in prediction, and recognizing that the progress of a free economy is inevitably somewhat uneven, it is useful to consider what gross national production and personal income can be achieved during the next five years, on a basis of reasonable assumptions regarding the growth of our population and work force, the increase of productivity and trends in the workweek.

With the marked increase in births during the early 1940's, the population of working age (14 years and over) may be expected to increase rather substantially. Allowing for the continuation of such long-run trends as increasing school attendance for longer periods, some decline in the over-all rate of participation in the work force may be expected. Nevertheless, the work force may increase during the next five years by 200,000 to 300,000 more persons per annum than it has increased during the last few years. It is assumed that employment of 96 percent of this work force would represent reasonably full employment in a dynamic economy. A moderate decline is probable in the average length of the workweek over the next five years; and an annual growth in productivity of about 2.5 percent per year may be projected, as a result of rising research and development activities in government and industry.

Under the stated assumptions, we may think of an annual expansion of our gross real production of goods and services by $13 to $14 billions on the average during the next five years. It would be reasonable to expect the annual rate of gross national production to rise from the current level of about $358 billions, to pass the $400 billion annual rate within three years, and to reach an annual rate of $428 billions by the first half of 1959.

Achievement of this rate of expansion would involve nearly a 20 percent increase in the gross national product, and a substantial lift in the living standards of the average American household.

Measures Taken or Proposed by the Administration to Foster Economic Expansion

The economic program of this Administration is primarily designed to foster economic expansion. The Administration has acted vigorously under existing legislation to encourage economic growth. It has sponsored or endorsed a broad program of new legislation for this purpose.

1. Elimination of direct economic controls.

The Administration wasted no time in ridding the economy of direct controls of wages, prices, rents, and inventories, which were interfering with competitive forces of the market and hampering economic development. These measures were taken between February and July 1953.

2. Research and development.

Economic progress depends on the evolution of new products and processes, which requires, in turn, continuous research and development activity. Although total Federal expenditures, and expenditures on national security, have been substantially reduced, this Administration is maintaining Federal expenditures for research and development at more than $2 billions per annum.

3. Resource development and highways.

a.) The Administration has sponsored measures to construct the St. Lawrence Seaway cooperatively with Canada, and has proposed commencement of a large project for the reclamation and use of the waters of the Upper Colorado River, which will contribute to the growth of the economy by more efficient conservation and use of natural resources.

b.) The Administration sponsored legislation allowing a substantial increase in Federal aid to highways for the fiscal years 1955 and 1956, over fiscal year 1954, and involving prospective annual Federal aid of $956 millions.

4. Atomic energy.

The Administration proposes to speed-up the application of atomic energy to agricultural, medical, and industrial uses, by relaxing limitations on the leasing of fissionable materials, by licensing private operation of atomic reactors, by providing government materials and services at fair prices in the initial stages of industrial development of atomic energy, and by liberalizing the use of Federal patents. These measures have unknown but potentially profound effects upon the growth of the economy.

5. Public works planning.

Recognizing that a growing economy generates needs for buildings and engineering projects that clearly lie outside the realm of private enterprise, the Administration has provided for a coordinator of public works within the Council of Economic Advisers to coordinate and encourage an orderly development of public works programs, Federal, State, and local. It has also recommended public works planning advances to State and local governments to aid them in these activities. These measures will foster economic growth by encouraging that enlargement of our public assets that is required if the growth of the private sector of the economy is not to be checked.

6. Agriculture.

The Administration proposes a gradual shift to a system of flexible price supports for basic agricultural commodities as a measure to facilitate the adjustment of American agriculture to changing domestic and foreign demands. This will foster economic growth by bringing about a more efficient use of our labor and capital.

7. Old-age and survivors insurance.

The Administration has recommended legislation to extend the coverage of OASI to 10 million additional workers, to liberalize monthly benefits, and to make it possible for older workers to continue in private employment without losing benefits. By relieving more workers from anxiety about old age, these measures should increase their productivity and lead to more ample and stable expenditures from current income, and so promote economic growth and stability.

8. Unemployment compensation.

The Administration has recommended the strengthening of State unemployment insurance systems and the provision of Federal aid in the form of noninterest-bearing loans to strengthen the weaker State systems in case of need. Like the expansion of OASI, these measures should improve the psychology, stabilize the consumption behavior, and raise the productivity of our working people.

9. An expansive monetary policy.

The policy of the Administration is to provide a growing money supply to match the expanding production of the economy, and yet avoid price inflation. Long-term adequacy is a primary guide to this Administration's monetary policy. Similarly, the management of the public debt is adjusted flexibly so as not to interfere with requirements of a growing economy.

10. Taxation.

a. The policy of the Administration is to reduce taxes concomitantly with the reduction of Federal expenditures, thus transferring to private hands resources formerly appropriated by the government. So far, the Administration has reduced taxes by an annual rate of $6 billions through repeal of the excess profits tax and reductions in individual income and excise taxes.

b. The Administration is sponsoring structural changes in our tax system which will encourage economic growth, the principal of which are:

(1) The dividend credit to reduce the double taxation of dividends and to improve the incentives to supply equity capital to medium and small businesses.

(2) The liberalization of depreciation allowances that may be made by investors, to encourage plant and equipment outlays.

(3) Lengthening the period over which net business losses may be carried back from one to two years, thus reducing the risk of business failure during a period of adversity.

(4) Liberalizing the tax treatment of research and development expenditures by businesses, to encourage a larger volume of these outlays.

(5) Various measures to reduce taxes on income from investments abroad, thus promoting the flow of American capital to other areas of the world where it may improve living standards.

11. Housing and community development.

The Administration sponsors a comprehensive program designed to maintain a high volume of home construction, to stimulate the enlargement, repair, and modernization of existing homes, and to foster the renewal and redevelopment of neighborhoods in our cities. These aims are to be achieved through liberalization of the terms on which mortgage loans may be insured by FHA and by the establishment of a secondary mortgage market facility which eventually will be privately financed.

12. International economic policy.

The President has submitted to Congress a foreign economic program intended to curtail aid, to encourage investment, to facilitate convertibility of currencies, and to expand trade. To implement this program, the Administration has sponsored legislation: to extend and amend the Trade Agreements Act; to simplify and improve commodity definitions, methods of evaluation, and procedures for our tariff and customs administration; to exempt from the Buy American legislation bidders from nations that treat our bidders on an equal basis with their own nationals; and to increase the duty-free allowance for tourists from $500 to $1000, exercisable every six months. The Administration has announced its intention to support the use of the resources of the International Monetary Fund to strengthen the currencies of countries which undertake convertibility. All of these measures are intended to make the United States participate in, and benefit from, an expanding world economy.

May 19, 1954

PERSONAL AND CONFIDENTIAL

MEMORANDUM FOR: General Cutler

At a recent Cabinet meeting the suggestion was made that Dr. Burns submit a memorandum on the Administration's policies to promote economic growth. The enclosed memorandum was prepared by the Council of Economic Advisers in response to that request.

Maxwell M. Rabb
Cabinet Secretary

Identical memos also sent to:
- Gen. Persons
- Mr. Shanley
- Dr. Hauge
- Gov. Adams
- Mr. Martin
- Mr. Morgan
- Gen. Carroll
- Mr. Harlow
- Mr. McCann

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, April 9, 1954

1. Indo-China. (The Secretary of State)

2. Finance Ministers Meeting at Rio de Janeiro. (The Secretary of State)

3. Group Life Insurance. (Chairman Young and Under Secretary Folsom)

4. Economic Situation. (Dr. Arthur Burns)

5. Texas City Tin Smelter. (Director Flemming)

6. Citizens' Committee. (Governor Adams and Mr. Jim Murphy)

7. Cabinet Schedule. (Governor Adams)

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E.O. 11652, Section 1
By BHC NLE, Date 4-28-77

MINUTES OF CABINET MEETING

April 9, 1954

10:05 A. M. to 11:55 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles
Sec. Humphrey
and Under Sec. Folsom
Sec. Wilson
Mr. Brownell
Under Sec. Tudor
(for Sec. McKay)
Sec. Benson
Under Sec. Walter Williams
(for Sec. Weeks)
Sec. Mitchell
and Under Sec. Larson
Sec. Hobby

Director Dodge
Mr. Flemming
Deputy Director Rand
(for Gov. Stassen)
Chairman Young
Dr. Arthur F. Burns
Mr. Jim Murphy

Gov. Adams
Gen. Persons
Mr. Shanley
Mr. Harlow
Mr. Morgan (in part)

The President opened the meeting by expressing his high approval of the ceremony arranged by the Postmaster General for introducing the new Statue of Liberty stamp. Both he and Secretary Dulles commented on the incident which occurred at another luncheon of the day, which caused offense to Arab representatives present.

Indo-China - Secretary Dulles noted his forthcoming visit to London and Paris in an effort to strengthen allied unity in regard to Indo-China in advance of the Geneva Conference. He expressed hope of exerting effective US leadership in a situation made extremely delicate by political conditions in France and England. In response to queries from the Attorney General he outlined the current situation within Indo-China and the difficulties caused to the French by the weather. The President noted how the situation had been improved by the recent French counterattack and then stressed the need for effective assistance from the British and the French.

Rio de Janeiro Economic Conference - The Secretary of State reviewed the action at Caracas which has resulted in an Economic Conference to be held at Rio de Janeiro late in 1954. He suggested the formation of a Cabinet Subcommittee to consider matters which will be of importance

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in the Conference. It was agreed that the Assistant Secretary of State for Inter-American Affairs should head the Subcommittee and that all interested departments and agencies should be represented, including Defense even though the agenda excludes the area of military assistance. Specific mention was made to insure participation by the Interior Department.

Group Life Insurance Program - Chairman Young announced that the Cabinet Subcommittee on Government Salaries and Benefits had approved in principle the detailed program for Group Life Insurance prepared by Mr. Folsom and now desired to have Cabinet approval.

Mr. Folsom noted that the proposal had secured the high approval of a committee from a dozen major life insurance companies, and that the administrative cost would be less than estimated. A resolution of approval will also be adopted by the Association of Underwriters. He outlined the major points in the program consisting of (1) eligibility of all non-military Government employees (including Congressional, Judicial, etc.), (2) coverage equaling one year's salary to a maximum of $20,000, (3) reduction of coverage after retirement at age 65 gradually to a 25% minimum, (4) double indemnity for accidental death, (5) a premium rate at $6.50 per year per thousand dollars, (6) a Government contribution of $3.25 per thousand per year.

He expressed hope that the program could become effective about September 1, 1954, provided Congressional approval is forthcoming this session. Individual employees will be automatically covered in the program unless they submit a written request to the contrary.

Mr. Folsom noted a debatable issue as to whether the legislation should exempt the participating companies from paying the customary 2% premium tax to State governments and he presented the Committee recommendation that no exemption should be authorized. He also noted that the annual cost to the Government of $22 million will have to be absorbed by each department, and the Budget agreed.

Mr. Young pointed to the violent opposition in the Subcommittee to any idea that the Government should operate a self-insurance program.

A final problem was noted in connection with non-Government Mutual Benefit Associations now existing in some departments, and Mr. Folsom felt that the Government had a moral obligation to assist them in adjusting to the new program.

The program was approved without further comment and the Budget will proceed to circulate it to all the departments and agencies for comment.

Economic Situation - Dr. Burns commented on the extreme mildness of this economic contraction considering its duration. He noted its unevenness and the resultant serious hardships in certain industries such as steel, automobiles, and other durable goods. He called attention to the steady

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By GHC NLE, Date 8-3-76

increase in the number of people who have been unemployed for more than ten weeks, amounting now to one and a half million as compared to seven hundred thousand in January. He emphasized the seriousness of this psychologically on the individual affected.

With regard to the March unemployment statistics, he commented that interpolation of the seasonal factor raised the unemployment factor much higher than normal. Since those statistics were obtained, however, there was evidence of a leveling out. He warned against over-enthusiasm about any upturn in the near future because of the ever present possibility of a recovery movement being abortive. After noting the encouraging survey of new plants and equipment compiled by McGraw-Hill, he summarized the economic picture as being sharply divided as between the industrial situation which was poor and the financial situation which was strong. These two trends, he felt, must be reconciled in the very near future one way or the other. He concluded with an extremely cautious prediction that reconciliation would occur more likely by way of an industrial recovery.

Secretary Humphrey again emphasized the importance of the confidence factor and he read two pages of his testimony of the preceding day with respect to the numerous actions already undertaken by the Administration. He felt this list would be an effective counter to the charges that the Administration is awaiting a further decline before doing anything.

The President recounted his discussion with Mr. David McDonald on the preceding day, with emphasis on the vast unemployment in the steel industry which is aggravated by great numbers working only part-time. He emphasized that the Administration position at this time ought be one of resolving uncertainties on the basis that there is more risk in doing nothing than in doing something. Following a comment from Secretary Wilson about the upturn in the automobile industry, the President cited the more pessimistic views given him recently by Frank Stanton of CBS and Roger Kyes. Walter Williams noted the optimistic picture of lumber dealers in the Minnesota area.

Dr. Burns replied to a query from Mr. Dodge to the effect that information was not available with regard to total Government expenditures in 1954 as compared to 1953. He did note that Government expenditures are now dropping at an annual rate of $3 billion which is considerably larger than the experts estimated, and he philosophized on the difficulty of pretending to speak with any confidence about the future when unable to accurately estimate Government expenditures.

Texas City Tin Smelter - Mr. Flemming presented a memorandum in review of the discussions concerning the closing of the Texas City tin smelter and emphasized the agreement of all interested agencies on closing it. He noted that many departments would be asked to testify soon at hearings on the Hill and he urged that all those called upon support the RFC position that "the Congress should give consideration to discontinuing the tin smelter at Texas City, certainly by June 30, 1954".

Following a suggestion that some assistance might be given to Bolivia for building a smelter in that country, Mr. Flemming and Mr. Humphrey

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By BHC NLE, Date 8-3-76

noted some of the factors making such assistance inadvisable. Mr. Humphrey emphasized the need for treating the Texas City smelter just as any other RFC project.

It was agreed that members of the Cabinet would testify in support of the RFC proposal if called upon.

Citizens Congressional Committee - Governor Adams introduced Mr. Jim Murphy, Chairman of the Citizens Congressional Committee, who outlined the work of the Committee to this point. He stressed the fine cooperation secured from members of the Administration, the "rifle shot approach" to give assistance in thirty-five or forty marginal districts, the determination of the Committee to stand apart from primary contests, and the close coordination of it with the RNC. He noted the names of members of the Finance Committee and of a special Public Relations Committee. He summarized the entire effort as designed to make available a bridge for Independents and Democrats to become Republicans and also to help make possible enactment of the Administration's legislative program.

The President commented on the necessity for finding the best possible candidates in order for the Citizens' work to be effective, and Mr. Murphy explained some of the approaches being used.

In reply to the Vice President, Mr. Murphy indicated that very few of the former Citizens for Eisenhower-Nixon seemed to be reluctant to participate again.

The President stressed also the general desirability of avoiding an overly partisan approach and the necessity upon himself for being completely nonpartisan in use of national networks. The Vice President corroborated this expression.

Secretary Benson noted the tremendous confidence in the Administration which he found during a recent trip through the Midwest.

Cabinet Schedule - It was agreed that there would be no meeting on Friday, April 16th and that the meeting for April 23rd would stand as scheduled, except that the Vice President and Governor Adams would consult a few days in advance to determine definitely on the need for a meeting on that date.

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Copies to -
  Mrs. Whitman
  Mr. Rabb

TENTATIVE AGENDA FOR THE CABINET MEETING

Friday, April 9, 1954

1. Indo-China. (The Secretary of State)

2. Announcement of Forthcoming Meeting of Ministers of Finance. (The Secretary of State)

   This meeting grows out of the Caracas Conference and the Secretary merely wants to inform the Cabinet of it.

3. Group Life Insurance. (Chairman Young and Under Secretary of the Treasury Folsom)

   This program, which was submitted to Cabinet sometime ago, is now ready for final approval. There have been a number of sub-committee meetings and the approach has been worked out in an effective and encouraging manner. A bill has already been drafted embodying the recommendations of the committee.

4. Sizing Up of Economic Situation. (Dr. Arthur Burns)

5. Texas City Tin Smelter. (Director Flemming)

   Because of the political implications connected with the proposal to shut down this smelter, Dr. Flemming wishes to present it to the entire Cabinet. The Departments concerned are in agreement that operation of the smelter should not be continued. If this recommendation is approved, it will be necessary for the President to send a message to Congress. Legislative hearings on the subject begin next week.

6. **Citizens' Committee. (Governor Adams, Mr. Jim Murphy)**

There will be a meeting of Citizens' Committee representatives from all over the country here in Washington during April, and all the Cabinet members are scheduled to appear before them. This item is for the purpose of briefing the Cabinet members on the progress and objectives of the Citizens' Committee activities up to date.

7. **Cabinet Schedule. (Governor Adams)**

It seems advisable to cancel the Cabinet meeting next Friday because of Good Friday and the President's absence.

THE WHITE HOUSE
WASHINGTON

April 8, 1954

MEMORANDUM FOR: GOVERNOR ADAMS

Additional Item for Cabinet

Texas City Tin Smelter

Because of the political implications connected with the proposal to shut down this smelter, Dr. Flemming wishes to present it to the entire Cabinet. The Departments concerned are in agreement that operation of the smelter should not be continued. If this recommendation is approved, it will be necessary for the President to send a message to Congress. Legislative hearings on the subject begin next week.

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THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, April 30, 1954

Estimated time allotted

1. Overseas Personnel. (General Bedell Smith and Chairman Young) 15-20 min.

2. Remarks on Economic Situation. (Dr. Burns) 5 min.

3. Departmental Inspection Services. (The President)

   You may want to call on Budget Director Hughes and the Attorney General.

4. Program for Testing Emergency Relocation Plan. (Dr. Flemming) 10-15 min.

5. Sending of Members of Congress on Overseas Missions. (General Persons) 2 min.

6. Encouragement of United States Scientific Education. (The President)

   You may want to aqpoint a Committee composed of: Flemming, Dr. Samuel Brownell, John Hannah, and National Science Foundation as consultant.

7. Another Specific "Buy American" Problem. (The Secretary of Defense) 5 min.

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E.O. 11652, Section 1

By BHC NLE, Date 8-4-76

MINUTES OF CABINET MEETING

April 30.
~~May 3~~, 1954
10:00 A. M. to 11:50 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Gen. Smith and Hon. Robert Murphy
(for Sec. Dulles)
Hon. Marion B. Folsom
(for Sec. Humphrey)
Sec. Wilson
Attorney General Brownell
Hon. Charles R. Hook, Jr.
(for Mr. Summerfield)
Sec. McKay
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Hobby

Director Hughes
Dr. Flemming
Gov. Stassen
Chairman Young
Dr. Arthur Burns

Gen. Persons
Mr. Shanley
Mr. Rabb
Dr. Hauge
Gen. Cutler

Overseas Personnel (Agriculture) - Gen. Smith noted the many bills introduced for setting up separate Foreign Services in such departments as Agriculture, Labor, Commerce, etc. He believed that the Administration should not express any favor for these bills until possible to review the situation following completion of the extensive study being made by State in close coordination with CSC. He believed any partial action by the Administration at this time would only serve to confuse the situation. He indicated that the State Department would be willing to take on additional attaches for the several departments provided the cost was borne by the department concerned, the attaches would serve under the Ambassador, and that they would meet fully the qualifications required for service abroad.

The President expressed his belief that technicians should not be incorporated into the Foreign Service and the policy-making State Department, yet he did not wish to see separate Foreign Services established. He emphasized that the Ambassador in any nation had to be the single responsible official for everyone except the military situation.

Chairman Young reviewed the study being carried on by CSC, indicated that major recommendations would be prepared for the next session of Congress, and strongly recommended against Administration support for the pending bills.

The President questioned if it would not be possible to develop now a policy with regard to attaches, rather than await completion of a broad

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and lengthy study, particularly because of the great interest of several Congressmen.

Sec. Benson emphasized the need for closer relations between his Department and Agricultural Attaches, particularly because of the great need now for encouraging agricultural exports, thus requiring better selection, training and supervision of overseas personnel. He urged positive action at this time. The President expressed agreement with Sec. Benson with the one exception that there should be no Foreign Service within the Agriculture Department, to which Sec. Benson agreed. Mr. Young believed that it was precisely the separate Agriculture Foreign Service which the interested Congressmen desired. Gen. Smith noted the repetitious cycle of studies for a unified Foreign Service and of agitation for separate Services. It was agreed that Director Hughes would press the formulation of position on this matter already under way in Budget, and that particular attention would be given by all parties concerned to the possibility of reaching a solution at this time.

(Gen. Smith was replaced by Deputy Under Secretary of State Robert Murphy.)

Economic Situation - Dr. Burns announced that the first monthly joint statement by the Departments of Labor and Commerce on employment and unemployment statistics will soon be forthcoming. He indicated that the figures for May were very favorable although the reduction of unemployment was slightly less than normal when interpreted seasonally. He noted the greater strength of commodity prices and he cited particularly the ability of foreign economies to remain strong throughout the US dip, contrary to expectations.

Dr. Burns revealed that expenditures for public works thus far this year were considerably lower than in 1953 primarily because of reduced military construction expenditures.

The President stressed the need for broader thinking in regard to Government policies involving foreign trade, stockpiling, and public works. He suggested that a creditor country such as the US would profit by stockpiling raw materials for future use, for he believed they would provide the basis for industrial strength in years to come. Similarly, he believed public works such as highways contributed to future economic strength and thus should be viewed as investments rather than expenditures. He commented specifically on the need for maintaining satisfactory international relationships despite the difficulties imposed by domestic production of most things needed by the US.

Dr. Flemming called attention to the Texas City tin smelter problem and the query which may arise as to why the Government does not continue to operate it when it appears that it might be operated by some private concern under lease.

Gov. Stassen saw in Dr. Burns' report proof that the Administration policy of liberalizing credit had been sound and that the US was now securing a return on the past extensive effort to strengthen European economies. He

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believed that further steps should be taken to set mortgage rates at 4% and to avoid too great extension of credit in the stock market.

The Vice President urged that Administration officials emphasize in public addresses the positive efforts of the Administration to strengthen and expand the economy rather than aiming merely at a static economy as alleged by the CIO and ADA leaders and certain agricultural interests. Dr. Burns seconded these remarks by noting the trend of thinking at Harvard which emphasizes static economy. It was suggested that Dr. Burns furnish Cabinet members with a memorandum containing the specific points in the Administration program designed for expanding the economy.

Departmental Inspection Services - The President recalled the extremely effective work done by the Inspector General service in the military establishment and noted the absence of such an organization in the Federal Government except for certain sections in Justice and the Budget. He emphasized the necessity for investigating thoroughly and quickly any intimation of dereliction, and he suggested that Cabinet members draw on the expert personnel available in other parts of the Government. He noted particularly the reluctance of bureaucrats to open their empires to outside view and he believed this attitude ought be destroyed.

Director Hughes noted the action taken in the meeting of the Under Secretaries and the current Budget study of current investigatory organizations and needs.

Mrs. Hobby commented on efforts by subordinate agencies to channel appropriations to themselves, thus hindering the work of the top level. The President stated strongly that he would not tolerate efforts by bureau heads to secure separate appropriations. The President concluded the discussion by remarking on the preventive action which is possible from a good investigating system.

Emergency Relocation Plans - Mr. Flemming presented a memorandum outlining the June 14-15 test of Emergency Relocation Plans, and he urged that each department head insure the appointment of a contact man of sufficient stature to make possible an effective operation of the test. The President commented on the value of such tests as revealing what matters and operations are essential or unessential.

Congressional Overseas Missions - Gen. Persons noted the critical situation on the Hill and urged that every effort be made to avoid invitations to Members of Congress to participate in overseas missions until the session is completed.

Scientific Education - The President reviewed the reports concerning Russian progress in scientific education and cited the need for the Federal Government to see what can be done to encourage such education in the US. Rather than formalizing a subcommittee at this time, he suggested that Dr. Flemming undertake to develop informally cooperation for encouraging scientific education. He then mentioned Dr. Samuel Brownell, Assistant Secretary John Hannah, and the National Science Foundation as being particularly interested. He noted also that although it was traditional for the Federal Government to avoid direct participation in education, nevertheless it seemed legitimate to establish scholarships.

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Mrs. Hobby stated that the matter had been presented at the Governors Conference and that the Governors were seriously impressed with Russian achievements and showed a real interest in encouraging US efforts.

Austrian Aluminum Powder Purchase - Sec. Wilson cited the problem in connection with the "Buy American" Act raised by a low bid from an Austrian concern for supplying aluminum powder. He stated that the differential was less than 1% and did not seem to warrant purchasing from the Austrian firm, but he wanted to raise the matter because of the lack of any clear policy in this area. The President commented that too much Congressional good will, needed for accomplishment of the main lines of the Administration program, would be lost by making this purchase abroad and was not warranted by the possible saving.

Congressional Relations - Gen. Persons again noted the desirability of Cabinet members utilizing every opportunity to spend some time with the Chairmen of the Committees concerned with their departments. The Vice President seconded this and noted the favorable impact of a Presidential golf game with Sen. Welker.

Governors Conference - Secretaries McKay and Hobby commented on the great success of the Washington Conference of Governors just concluded.

Minnich

Copies to -
√Mrs. Whitman
Mr. Rabb

TENTATIVE AGENDA FOR CABINET MEETING

Friday, April 30, 1954

1. Overseas Personnel. (General Bedell Smith, Chairman Young)

   Get summary for President and also stress fact that this is a matter Bedell Smith is very anxious to get through. He expects opposition from Benson, who wants separate agricultural overseas organization. He and Young are together on this matter. See Philip Young, and get story.

2. Program for Testing Emergency Relocations Plan. (Dr. Flemming)

   Get statement.

3. Economic Situation.

   Check with Arthur Burns to see if he will have anything to say.

4. Round Robin.

   Let us try to experiment with round table with each Department telling of accomplishments or outstanding events of the week so as to alert other people as to what has taken place. Time limit two minutes for each person.

5. The Secretary of State.

   10-minute statement.

6. Story of Under Secretaries' Meeting and future Plans. (Governor Adams)

OK

TENTATIVE AGENDA FOR THE CABINET MEETING

Friday, April 30, 1954

1. **Overseas Personnel.** (General Bedell Smith, Chairman Young)

General Smith is very anxious to obtain approval for a plan on which he and Philip Young are in complete agreement. Their program, which incorporates Dr. Wriston's State Department study and the Civil Service report, seeks to establish a foreign affairs service for the United States with definite relationships between all government personnel operations in overseas areas.

A separate foreign service has been proposed for the Department of Agriculture, which is in conflict with the long-run proposal upon which Smith and Young have agreed. They feel that the only way to clarify and coordinate the position of the Administration is at the Cabinet meeting.

Estimated time: 15 minutes, but the discussion can possibly expand this as there is considerable Departmental interest in this matter.

2. **Remarks on Economic Situation.** (Dr. Arthur Burns)

Estimated time: 5 minutes, exclusive of any discussion developing from Dr. Burns' talk.

3. **Departmental Inspection Services.** (The President)

The FHA disclosures have highlighted the necessity for action to tighten up governmental handling of complaints of improper or illegal conduct on the part of Federal employees. This matter has been the subject of discussion by the Under Secretaries and at the present time, under the direction of the Attorney General and Governor Adams, information is being developed to indicate the effectiveness of the inspection facilities in the several Departments. Budget Director Hughes and the Attorney General may be in a position to contribute something to the discussion, if you deem it advisable.

3. Departmental Inspection Services (continued)

Estimated time: This subject undoubtedly will develop considerable comment, and it is, therefore, difficult to estimate the time required.

4. Program for Testing Emergency Relocation Plan.

(Dr. Arthur Flemming)

This involves a program for testing emergency relocation plan at the time of nation-wide civil defense test.

Estimated time: 10 - 15 minutes.

5. Sending of Members of Congress on Overseas Missions.

(General Persons)

At the Legislative Leaders' meeting on Monday, April 26, it was suggested that the sending of Congressmen overseas by Cabinet officers would be very injurious to the carrying out of the Administration's legislative program.

Estimated time: 3 minutes

6. Encouragement of United States Scientific Education.

(The President)

The Soviet Union has made tremendous strides in the field of scientific education and the outlook is that the United States in this field will, by 1958, be outstripped by the Soviet Union. This subject calls for long-range planning. The Sub-Cabinet group, as well as Mr. Cutler, thought that this was an important item which calls for action as the situation becomes more critical with the passage of time.

It is respectfully suggested that a committee be established to study this problem and to report for eventual Cabinet action. The membership of the committee might be composed of

6. **Encouragement of United States Scientific Education. (cont.)**

Dr. Arthur Flemming (ODM), chairman; Dr. Samuel Brownell (HEW); and Dr. John Hannah (Defense); with the National Science Foundation designated as a consultant agency.

Estimated time: 5 minutes.

April 30, 1954

PROGRAM FOR TESTING EMERGENCY RELOCATION PLANS

1. A test of Emergency Relocation Plans will be held on June 14-15, 1954, in conjunction with the FCDA national civil defense exercise.

2. Thirty key mobilization agencies of the Executive Branch have been requested to participate.

   a. Minimum participation: Agency relocation planning committee will proceed to agency relocation site; establish communication with the FCDA communication center at High Point; receive instructions from the Head of the agency; inspect relocation facilities; determine availability, adequacy and security of essential records.

   b. More extensive participation, both in numbers and scope is left to the discretion of each agency head. Office of Defense Mobilization will activate fully its relocation headquarters at High Point.

3. Heads of agencies or their representatives will assemble at High Point to test the Interim Assembly Plan. Assembly group will inspect facilities at High Point; receive orientation by the Defense Mobilizer; observe the FCDA civil defense test; receive reports on nation-wide damage assessment resulting from the assumed atomic or thermonuclear attack.

4. Coordination of Emergency Relocation test with the national civil defense exercise is being effected by ODM, FCDA and the Director, Office Civil Defense, Government of the District of Columbia.

5. Opportunity will be afforded agency representatives on Tuesday, May 4, 1954, 2:00 p.m., Room 159, Executive Office Building, and each week thereafter if necessary, to discuss detailed operational problems which may arise in planning for the test.

April 30, 1954

MEMORANDUM

Secretary Wilson called this morning to place on the Agenda the item, "Another Specific 'Buy American' Problem". If time permits, he would appreciate it if you would take this up inasmuch as he needs guidance on this matter as one of the bids expires today. The problem concerns the purchase in the United States from an American bidder, or the purchase abroad, of some aluminum powder.

Max Rabb

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~~SECRET~~
~~Security Information~~

THIS DOCUMENT HAS BEEN
DOWNGRADED BY AUTHORITY
OF ORIGINATING OFFICE
23 APRIL 1954

SPECIAL ARTICLE

SOVIET SCIENTIFIC AND TECHNICAL MANPOWER

The USSR is training a body of scientists and technicians which is increasing in size and quality and approaching comparability with that of the United States. If present trends continue, the total capabilities of Soviet scientific and technical manpower may exceed those of the United States in the near future.

The Soviet leaders have consistently regarded science and technology as the key to the attainment of their national economic and military goals and have developed nationwide programs for scientific and cultural education which have mobilized large human and material resources.

The vitality of the Soviet program of higher education is apparent in the growth in the number of institutions and students. Since the revolution, these have grown from 91 higher educational institutions with 112,000 students in 1918 to about 900 institutions with some 1,100,000 full-time and 400,000 extension-course students at present. During this same period, the United States doubled the number of its institutions to 1,800, and increased the students fivefold to about 2,300,000.

The proportion of Soviet graduates in scientific fields over the past 20 years has varied between 70 percent of total graduates each year and the current figure of about 44 percent, while the proportion for the United States has remained close to 30 percent. (See chart #1, p. 17)

Quantitative measures of Soviet scientific and technical manpower are provided by comparing the numbers in the USSR and the United States in the following two groups:

a. Graduates of higher educational institutions (colleges and universities) in scientific and technical fields. This includes persons with "first professional" degrees such as the M.D. and the D.D.S.

b. Persons holding advanced degrees in scientific and technical fields: the Soviet Kandidat and the American Ph.D. (including the Sc.D.). In terms of formal requirements the Kandidat is the near equivalent of the Ph.D.

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By bc NLE Date 12/12/78

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Both of these groups have been broken down into three major subject categories -- physical sciences, agricultural sciences, and health sciences. (Chart #2 shows the fields which these categories include.)*

The comparisons in charts #3 and #4 indicate that, in general size and composition, Soviet scientific and technical manpower is basically similar to that of the United States. The USSR has comparable numbers of graduates of higher educational institutions and holders of advanced degrees in each of the three major subject categories.

In chart #5 a comparison of the number of persons graduating annually in scientific and technical fields in the USSR and the United States is made. The number of Soviet graduates fell off in 1933 due to a lengthening of the courses of study, and the rapid rise around 1935 was the consequence of expanded enrollments from 1930-32. Both the Soviet and US curves show wartime losses and rapid postwar increases, which reached a peak in the United States in 1950 because of the "GI Bill." Since that time, the trend has favored the Soviet Union, and present Soviet plans call for continuing increases in the number of graduates.

The quality of Soviet scientific and technical manpower has been quite uneven. The first decade and a half of the Soviet period saw a general decline in the quality of scientific education until by the early thirties, after the rapid expansion of the First Five-Year Plan, standards of research and education had fallen to low levels. Beginning in 1933, however, Soviet leaders slowed the rate of increase in numbers of students entering scientific fields and enforced higher standards of work.

Present indications are that improving educational standards and increasing experience have raised the quality of Soviet scientific and technical personnel in most major fields to approach that of the United States. Recent Soviet efforts in the theory and application of science demonstrate a high degree of competence. Current graduates in science from higher educational institutions have completed about 15 years of intensive study with a generally far greater and more consistent emphasis on scientific subjects in secondary schools than is found in the United States. In general, only more-gifted and industrious students have survived the stiff competition to enter higher schools, although nepotism and political activity can be important considerations.

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* Unless otherwise apparent, the comparisons are for mid-1953. The estimates for the Soviet Union are believed accurate to within 10 percent.

TRAINING OF SOVIET SCIENTIFIC PERSONNEL

THOSE GRADUATING IN 1953 IN SCIENTIFIC FIELDS AS PERCENTAGES OF TOTAL

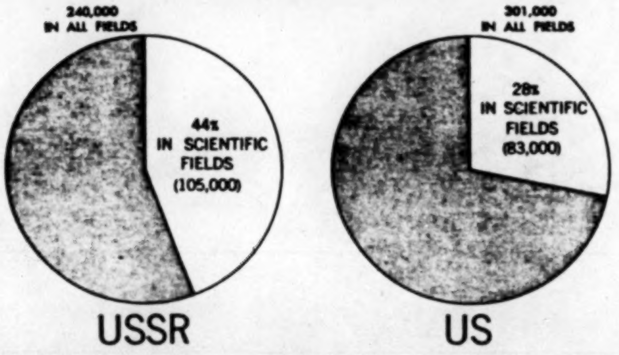


CHART 1

DEFINITIONS OF SUBJECT CATEGORIES

1. PHYSICAL SCIENCES INCLUDE:
   - PHYSICS
   - CHEMISTRY
   - MATHEMATICS
   - ENGINEERING
   - GEOLOGY
   - OTHER FIELDS BASED ON PHYSICS, CHEMISTRY OR THE EARTH SCIENCES
2. AGRICULTURAL SCIENCES INCLUDE:
   - AGRICULTURE (AGRONOMY, ANIMAL HUSBANDRY, FORESTRY, ENTOMOLOGY, ETC.)
   - BIOLOGICAL SCIENCES OTHER THAN THOSE INCLUDED UNDER "HEALTH SCIENCES"
3. HEALTH SCIENCES INCLUDE:
   - MEDICINE AND MEDICAL SCIENCES
   - DENTISTRY AND DENTAL SCIENCES
   - OTHER FIELDS SUPPORTING HEALTH AND SANITATION (EXCLUDING NURSING UNLESS BASED ON 4-YEAR CURRICULA)
   - BIOLOGICAL SCIENCES OTHER THAN THOSE INCLUDED UNDER "AGRICULTURAL SCIENCES"

CHART 2

NUMBERS OF GRADUATES EMPLOYED IN THE MAJOR SCIENTIFIC FIELDS

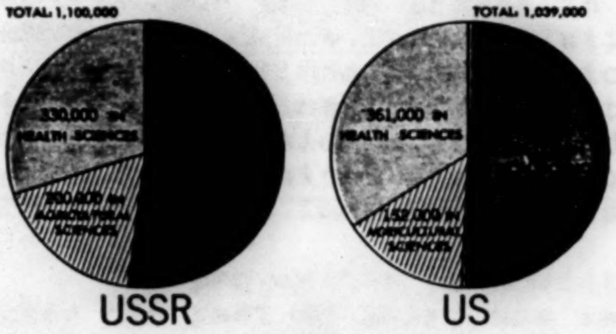


CHART 3

NUMBERS OF PERSONS HOLDING ADVANCED DEGREES IN SCIENTIFIC FIELDS

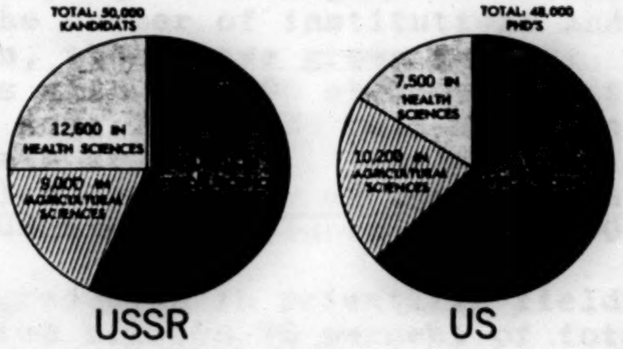


CHART 4

NUMBERS OF GRADUATES PER YEAR IN ALL SCIENTIFIC FIELDS

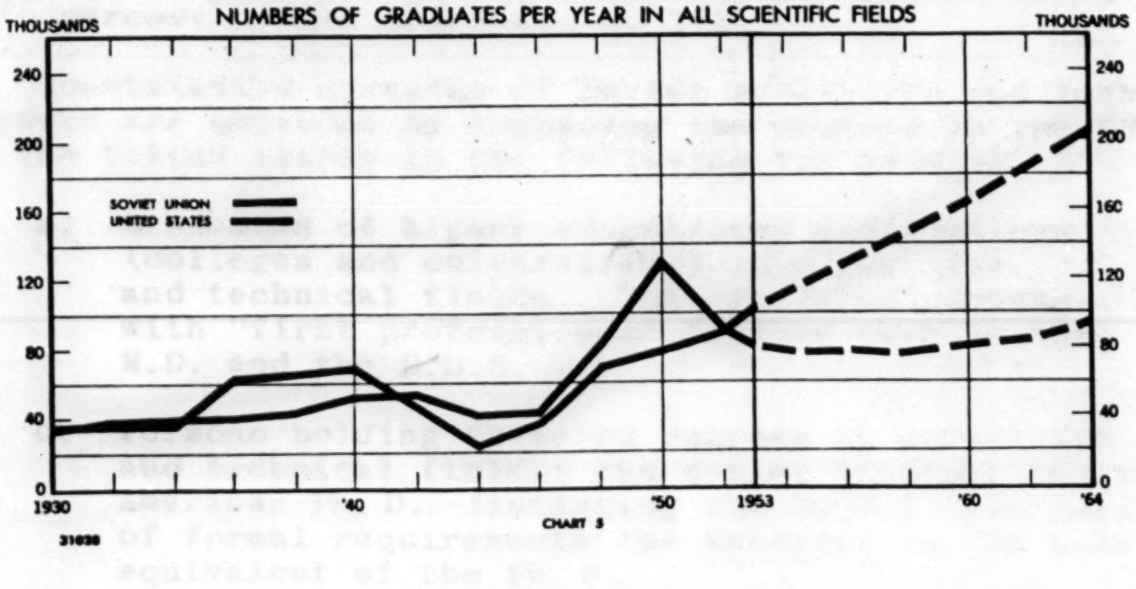


CHART 5

The Vice President and Sec. Mitchell are attending a meeting of the Physically Handicapped and may be late in arriving.

The President

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING
Friday, May 14, 1954

1. Public Works and Road Building Programs. (The President)

2. International Situation. (The Secretary of State)
(Estimated time: 15 minutes)

3. Report on the Economic Situation. (Dr. Arthur Burns)
(Estimated time: 10 minutes)

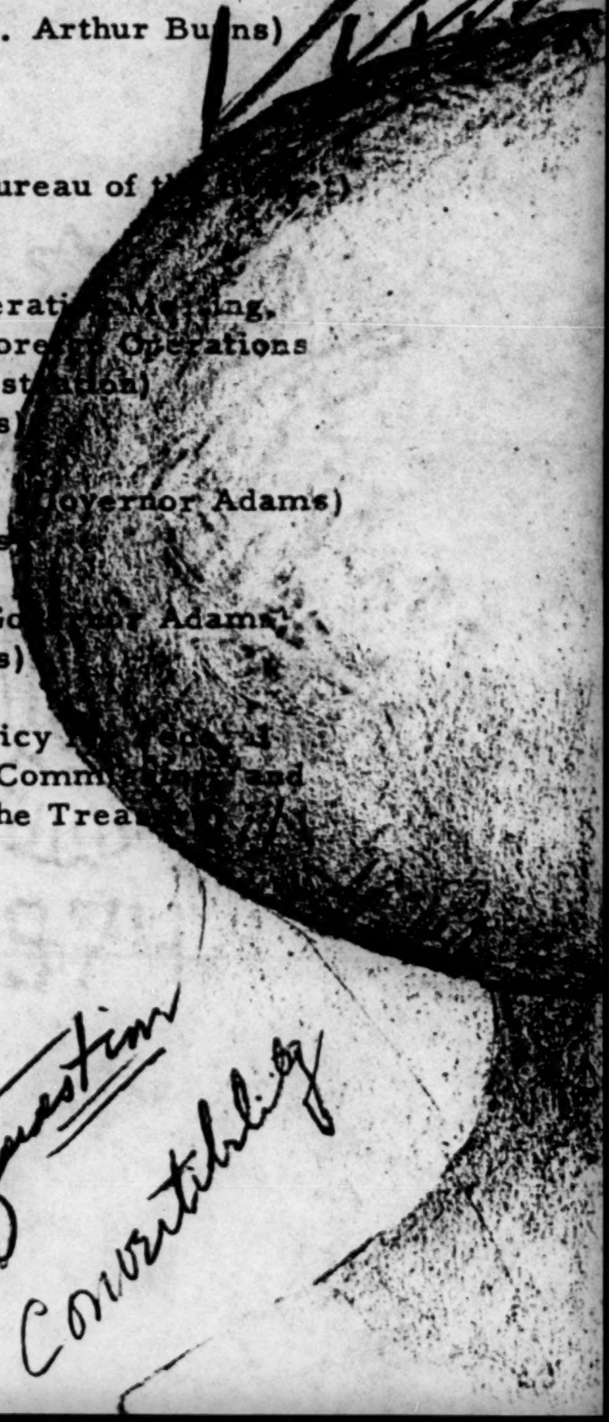
4. Government Inspection Facilities.
(Director, Bureau of the Budget)
(Estimated time: 15 minutes)

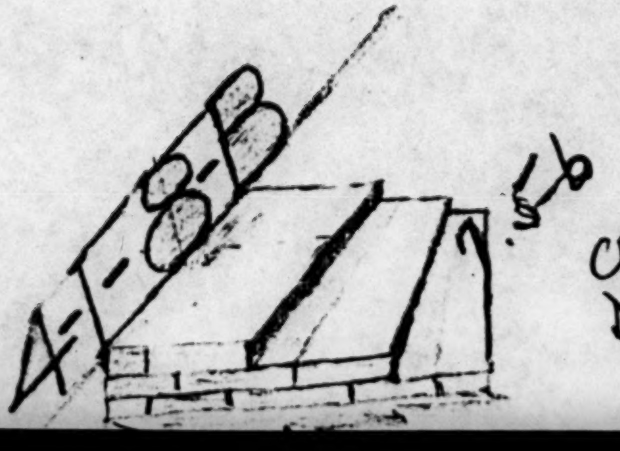
5. Report From European Economic Cooperation Meeting.
(Director, Foreign Operations Administration)
(Estimated time: 10 - 15 minutes)

6. Water Resources Policy Organization. (Governor Adams)
(Estimated time: 15 plus minutes)

7. Transport Policy and Organization. (Governor Adams)
(Estimated time: 15 plus minutes)

8. Report of Committee on Retirement Policy for Federal Personnel. (Chairman, Civil Service Commission, and The Under Secretary of the Trea[illegible]
(Estimated time: 10 minutes)





Civ
Def:
O.D.M.

Question

Convertibility

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MINUTES OF CABINET MEETING

May 14, 1954

10:00 A. M. to 12:15 P. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles
Sec. Humphrey, and
    Under Sec. Folsom
Asst. Sec. Fred A. Seaton
    (for Sec. Wilson)
Atty. Gen. Brownell
Postmaster Gen. Summerfield
Under Sec. Ralph A. Tudor
    (for Sec. McKay)
Sec. Benson
Sec. Weeks
Under Sec. Arthur Larson
    (for Sec. Mitchell)
Sec. Hobby, and
    Under Sec. Rockefeller

Director Hughes
Dr. Flemming
Gov. Stassen
Chairman Young
Amb. Lodge
Dr. Arthur Burns

Gov. Adams
Gen. Persons
Gen. Cutler
Mr. Shanley
Mr. Morgan
Mr. Martin
Dr. Hauge
Mr. Rabb

Mr. Arthur Kimball, Staff Director of the President's Advisory Committee on Government Organization, and his assistant, Dr. Ernest Williams (for Items 6 and 7).

Public Works - The President reported a letter from Secretary Mitchell who urged that certain public works, especially road building, ought be undertaken quickly to counteract the decline in manufacturing employment which has resulted from decreased military spending. The President added his own personal belief that every effort should be made to initiate public works in critical unemployment areas and that General Bragdon should be given a maximum of help in coordinating the public works program.

Executive Legislative Relations - The President stated his feeling that no new rigid directive concerning testimony to Congress ought be issued at this time when it could be exploited by a particular Senator, but that the entire Cabinet ought be fully cognizant of the problem. He said that he was quite clear in his own mind that no testimony should be given in any case involving (1) security information or other basic national interests such as crop information, State Department conferences, etc., or (2) personal advice exchanged between superior and subordinate in the Executive Branch. He believed that such advice was

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a privileged matter and that the worth of an adviser would be destroyed if publicity effects had to be considered while tendering it. He asserted that the entire Cabinet should be perfectly certain that it stood together and that any member who was pressed on this subject could quote as Presidential instructions that no testimony was to be given about advice offered in a personal relationship.

The President added that any proper summons from Congress should be answered in a courteous way and that there should be a willingness to testify on proper subjects such as the letting of contracts, etc.

The President then indicated that a question may arise in regard to his own personal staff answering a subpoena and he commented that he believed it wrong to reject the subpoena but that the head of the staff ought speak to the question of the privacy of personal advice.

Gov. Stassen believed that the Executive branch ought take a more far-reaching stand to prevent Congressional examination of officials far down the line, but the President felt that the right of Congressional Committees to investigate could not be denied. Gov. Stassen believed the right to investigate was limited to necessary preparation of legislation and appropriations. Sec. Dulles noted the difficulty of defining "encroachment" by one branch of the Government upon another and advocated a large amount of discretion for department heads in the doubtful area.

The President concluded the discussion by stating his desire to avoid a major fight between the Executive and the Legislative on the broad principles in connection with the captious challenge of one Senator, by re-emphasizing the privacy of personal advice, noting that Senator Knowland approved of this approach, and indicating that he would undertake in the near future to circulate a guidance memorandum on this subject.

Indo-China - Sec. Dulles commented on the difficulty of preventing complete collapse in Indo-China in the face of French and English attitudes and situations. He believed the future of Indo-China would depend on the outcome of French negotiations at Geneva in the immediate future. He expressed some optimism over the increasing awareness by some Asiatic countries of the impending danger.

The President reported a suggestion that he make a national broadcast to clarify the people's understanding of the situation in Indo-China and he requested Sec. Dulles' comments on its desirability. Mr. Dulles believed such a broadcast might be best accomplished in about a week, after more can be known about the intent of our Allies.

Sec. Weeks inquired about the possible parallel between the situation in Indo-China and the international developments of the 1930's. Sec. Dulles discussed some of the difficulties of "drawing a line", particularly the differentiation made by foreign nations between overt aggression and internal subversion.

The President commented on the need for achieving greater popular understanding of the fact that the FOA program and other similar ones, although

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expensive, are really insurance against a catastrophic end of the United States. He described the alternative to the long hard road of Allied effort as being mere giving in to the Communists. Sec. Dulles noted the near impossibility of expanding overseas financial programs, but Gov. Stassen took a more optimistic view.

Economic Situation - Dr. Burns reviewed recent statistics on production, retail sales, construction contracts, and disposable consumer income; and he commented that they showed only trifling changes from earlier figures. He offered the interpretation that the reduction of consumer income amounted to only $900 million after allowance for various pertinent considerations.

In connection with the memorandum promised at the last Cabinet meeting concerning the Administration program for an expanding economy, Dr. Burns indicated he would have it ready for distribution in a few days and that he had included a projection of the economic situation in future years of which he personally was somewhat skeptical on a political-philosophical basis.

Sec. Humphrey noted a letter from a manager of a chain of retail stores which was pessimistic about the future, and the Secretary urged early legislative action on such items as the tax program, social security and housing so that the effect of these programs could be felt within the next six months. Sec. Weeks suggested the desirability of pushing the tanker program, and the President noted also the Navy tanker program about which Sec. Seaton is to check with Sec. Anderson.

The President requested each Cabinet member to notify Gov. Adams of any items in the Administration program which they felt ought be discussed with the Legislative Leaders on Monday with a view to early enactment.

Dr. Burns believed that substantial sums were available without new legislation for expenditure in the areas of forest roads, small bridges, repair and modernization of Federal buildings, atomic energy construction, and military purchases. The President believed it could be stated as policy without further research that departments which had appropriations available for worthwhile things ought initiate expenditures on them now rather than awaiting a later date. He recognized the early objective of saving every possible dollar in an effort to balance the budget but he believed that savings should be limited to useless things. The Vice President commented on the need for a central point for handling action to relieve the situation in particular critical areas. Mr. Hughes noted that the Budget Bureau sees many groups desiring action in a critical area and that Budget often relaxes its policy in this respect but without going into useless spending. Mr. Tudor called attention to a particular Interior Department project which could be accelerated if the funds were made available and the President advised him to take the matter up with Budget with a view to acceleration, particularly if the money had to be spent eventually anyway. Sec. Humphrey suggested that the economy program not be discarded but that the Government ought go ahead rapidly with its spending on necessary items.

The President referred incidentally to the forthcoming decision of tariffs on watches. He recalled that this matter had been under study at least

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since 1928 and that he felt the tariff might have to be increased despite his general reluctance to increase tariffs. Mr. Tudor noted a problem with regard to purchase of some transformers in which the foreign bidder was 10% lower than American bidders in a situation where placing the contracts in this country would alleviate unemployment. The President gave an offhand opinion that under the circumstances it might be justified to make the purchase in the United States.

Inspection Facilities - Mr. Hughes reported on the action taken at the Under Secretaries meeting in regard to developing adequate inspection organizations throughout the Administration. He indicated that the first survey was very discouraging but that Justice, Civil Service and Budget were drawing up statements of standards which would be available to department heads as they undertook to fulfill their responsibilities on this matter. He noted that there would be a series of meetings of groups of departments having similar situations for the purpose of developing suitable patterns of inspection organization. The President emphasized the need for each Cabinet head to give strong support and close attention to this matter.

OEEC Meeting - Governor Stassen reported on the satisfactory progress made at the recent meeting of the Organization for European Economic Cooperation. He stated that the past year had been a very good one for Europe as a whole, that necessary adjustments were worked out between creditor and debtor nations, and that there would be continuing action toward achieving full convertibility of major currencies. He emphasized that prior American economic aid was now paying dividends by virtue of the stability of world commodity prices during the economic readjustment within the United States.

The President recalled the concern of European statesmen several years ago that the United States was pushing prematurely for convertibility, and he ascertained that the US had now reversed its policy.

Water Resources - Gov. Adams presented a memorandum of recommendations by the President's Advisory Committee on Government Organization and the Bureau of the Budget for establishment of (1) A Cabinet Committee to explore and formulate broad policy and program recommendations, with facilitating organizational recommendations, covering the whole field of water resources conservation and use, and to assist in facilitating an Executive branch review of the recommendations from the Hoover Commission; and (2) an Inter-Agency Committee to provide maximum coordination of present programs and activities and assist the Cabinet Committee in its study. Timing of publicity is to be arranged later. Gov. Adams indicated that the matter had been fully discussed with former President Hoover.

Mr. Tudor noted the failure of the existing Inter-Agency River Basins Committee to act effectively and the President stressed that the new Inter-Agency Committee should not be allowed to lapse into pure routine. He expressed a desire to arrange with the Chairman of the Committee for periodic personal reports.

Mrs. Hobby called attention to the desirability of coordinating the work of the Water Pollution Committee with the new organization, and Mr. Tudor expressed a similar desire for an Interior Department committee concerned with removing salt from the water. Mr. Hughes stated that the action recommended here would allow that to be done.

The recommendations were approved.

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By GWC NLE, Date 8-4-76

Transport Policy - Gov. Adams presented a memorandum of recommendations from the President's Advisory Committee on Government Organization and the Bureau of the Budget for establishment of a Cabinet Committee to explore and formulate overall policy and organizational recommendations covering the whole field of transportation. Timing of publicity is to be arranged later.

The President voiced approval for the general idea of Cabinet Committees but noted the need for providing Cabinet members with capable assistants so as not to overload them with meetings.

Sec. Weeks interpreted the recommendation as an effort to tie in certain of the activities of the independent agencies with the existing transportation structure in the Department of Commerce. Gov. Adams confirmed this with respect to "housekeeping" matters but stated that it did not apply to the quasi-judicial functions of the independent agencies.

At the request of the Postmaster General and the Secretary of Agriculture those two officials were added to the list of Ad Hoc participating members.

Mr. Hughes noted the possible need for supplementary recommendations with regard to staffing the committees. The President believed the committee staffs might most properly be located within the Bureau of the Budget. Gov. Stassen urged that the alternative solution be adopted of making a particular department responsible for the staff and for getting results, but the suggestion did not receive Cabinet support.

The recommendations were approved.

Civil Service Retirement - Following Chairman Young's introduction of the matter, Mr. Folsom reported on the work of the Kaplan Committee to synchronize the Civil Service retirement system with the OASI system. He indicated that the proposed plan would result in an average increase of benefits of 8% for people now under the Civil Service system at less cost to both the employee and the Government. After stating some of the details of the proposal, he indicated that it would be cleared in the normal manner through the Budget Bureau.

Mr. Folsom called attention to the accrued liability of the Federal Government for the existing Civil Service program and indicated that there would soon have to be an annual appropriation to cover this liability.

Mr. Folsom and Chairman Young indicated also that some employee unions were still disturbed by the proposal but that the opposition would undoubtedly disappear when the details of the plan were fully explained.

The Cabinet accepted this report without comment.

LAM
L. A. Minnich, Jr.

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✓Mrs. Whitman
Mr. Rabb

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THE WHITE HOUSE
WASHINGTON

Do you want item of

Public Works Road Building

to appear on formal agenda for Cabinet tom. ?

Yes ✓

No ______

Is balance of Agenda okay ?

Make it #1.

D

TENTATIVE AGENDA FOR THE CABINET MEETING

Friday, May 14, 1954

1. International Situation. (The Secretary of State)

Several of the Cabinet members have specifically asked that the Secretary of State brief them on the international situation.

Estimated time: 15 minutes

2. Report on the Economic Situation. (Dr. Arthur Burns)

Estimated time: 10 minutes

3. Government Inspection Facilities.
(The Director, Bureau of the Budget)

At the last meeting of the Cabinet the Director of the Budget was asked to investigate the question of inspection staffs for the agencies of the Government. He is prepared to give a status report on this subject.

Estimated time: 15 minutes

4. Report from European Economic Cooperation Meeting.
(The Director, Foreign Operations Administration)

Estimated time: 10 - 15 minutes

5. Water Resources Policy and Organization. (Governor Adams)

This is the proposal to establish a Cabinet committee on water resources policy, which was discussed at lunch with the President on Monday, May 3. This committee is intended to study and make recommendations to the President of broad national policies and programs on water conservation and use.

Estimated time: 15 minutes

6. **Transport Policy and Organization. (Governor Adams)**

This involves establishment of a Cabinet committee to study and to recommend to the President a national over-all transportation policy and organization. There never has been an over-all study made before. Activity in this field has previously been confined to particular segments of the transportation industry (e.g. rail or air transport). This matter also was discussed at the luncheon with the President on May 3.

Estimated time: 15 minutes

7. **Report of Committee on Retirement Policy for Federal Personnel. (The Chairman, Civil Service Commission, and Mr. Folsom)**

The Chairman of the Civil Service Commission will introduce Mr. Folsom, who will give a brief summary of the report of the so-called Kaplan Committee, which deals with coordination of Civil Service retirement with OASI.

Estimated time: 5 minutes

WALTER REED ARMY HOSPITAL
WALTER REED ARMY MEDICAL CENTER
WASHINGTON 12, D. C.

IN REPLY REFER TO

Cabinet

DE

Wednesday Eve

Dear Mr. President:

Thank you very much for your kind note. The doctors tell me there is nothing seriously wrong. I need a rest which I am getting.

Were I able to attend Cabinet Meeting this Friday I would have raised the following question. The employment statistics for April indicate a gratifying rise in the non manufacturing employment figures, the decline has been entirely in manufacturing showing the effect of decreasing military orders. For some weeks you have been emphasizing the need for action in the field of public works.

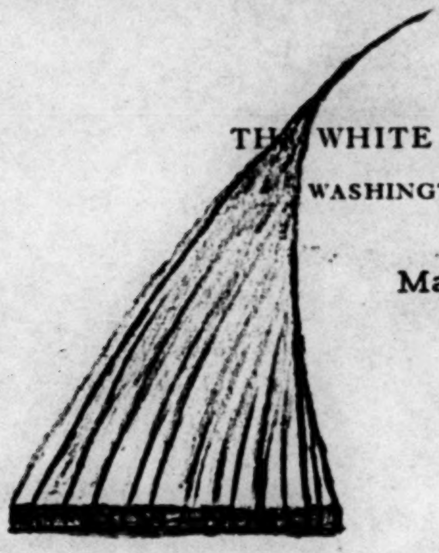
So far I have seen no evidence of such action. If we are to take up the slack of a decline in manufacturing employment it seems to me to be imperative that programs of large public works preferably road building be initiated at once , pinpointed to those areas of sizeable manufacturing unemployment. This is not easily done because it requires state and local cooperation; nevertheless I believe extraordinary measures beyond those normally envisioned by the Federal Bureaus concerned must be taken. The manufacturing employee who is out of work can easily transfer his skill to the kind of work required in supplying and building roads.

It seems to me that this problem is beyond the study and discussion stage and action must be taken at once. The results in terms of military advantage as well as enhancement of our natural wealth are obvious.

Respectfully,

Jim Mitchell

THE WHITE HOUSE
WASHINGTON



May 14, 1954

You may wish to discuss the relationship between the Executive Department and the Legislature. ~~McCarthy Committee~~ as to the testimony which members of your staff and others may or may not give.

MEMORANDUM

May 12, 1954

TO: The Cabinet

FROM: Sherman Adams

SUBJECT: Water Resources Policy and Organization

Action recommended to the President by
The President's Advisory Committee on Government Organization,
The Bureau of the Budget

I. PROBLEM

In order that the best and most extensive use can be made of every drop of water which falls on our continent, this Administration must take effective leadership in establishing new national policies and programs with adequate supporting organization in the water resources field, responsive to the needs of the nation as a whole.

A. Need for Administration leadership in development of national policies and programs in the water resources field.

B. Organizational aspects cannot be separated from policy considerations.

C. Present organization does not permit focusing of responsibility on any one Cabinet Member.

D. Little progress has been made in overcoming traditional opposition to the basic changes needed in this area.

II. CONSIDERATIONS

A. Hoover Commission. The Commission on Organization of the Executive Branch of the Government is studying water and power problems. Its recommendations will be available some time next year; however they probably will not be submitted in time to be of assistance in developing Administration proposals for submission to the next session of Congress. The Executive Branch should provide itself with an effective means for facilitating preliminary consultation and final review of Hoover Commission recommendations when forthcoming.

B. Inter-Agency Committee on Water Resources. Under the leadership of the Department of Interior, an Inter-Agency Agreement on the Coordination of Water and Related Land Resources Activities has been worked out for the President's approval. Under this Agreement an Inter-Agency Committee will be reconstituted for the purpose of achieving maximum coordination of water resources activities within existing organizational structure and pending more basic policy and organizational developments.

III. RECOMMENDATIONS

A. Establish a Cabinet Committee to:

Explore and formulate broad policy and program recommendations, with facilitating organizational recommendations, covering the whole field of water resources conservation and use; and

Assist in facilitating an Executive Branch review of the recommendations from the Hoover Commission.

1. Members

   Secretary of Interior - Chairman
   Secretary of Defense (or Secretary of Army)
   Secretary of Agriculture

   Ad hoc participating members:
   - Secretary of Commerce
   - Secretary of Health, Education and Welfare
   - Director, Bureau of the Budget

2. Advisory Group

   The President's Advisory Committee on Government Organization will cooperate in every way possible.

3. Staff: The Committee is to provide itself with a small central staff, to be located in Executive Office of President.

B. Establish an Inter-Agency Committee on Water Resources to:

Provide maximum coordination of present programs and activities and assist the Cabinet Committee in its study.

1. Members: Policy representatives from Departments of Interior, Agriculture, Commerce, Army, Health, Education and Welfare, and the Federal Power Commission.

2. Staff: Members to supply staff assistance, with the Secretary to be provided by the Chairman agency.

C. Timing and Publicity

1. The announcement of a Cabinet Committee and the Inter-Agency Committee should be simultaneous and their functions clearly defined. Timing of this announcement should take into consideration any pending legislation which might be affected.

2. Coincidental with the announcement of a Cabinet Committee, a Presidential statement or speech should cover the broad aspects of this major problem, its urgency and long term national significance.

3. Recommendations should be developed in time for possible inclusion in the Administration's legislative and reorganization program for the next session of Congress.

MEMORANDUM May 12, 1954

TO: The Cabinet

FROM: Sherman Adams

SUBJECT: Transport Policy and Organization

Action recommended to the President by:
The President's Advisory Committee on Government Organization,
The Bureau of the Budget

I. PROBLEM

This Administration must recognize that the vital interests of this Nation require the maintenance of the transportation industry of the United States at maximum effectiveness. We must provide effective leadership in assuring that each of the various forms of transportation, which have such a vital bearing upon the national security and whose service is so necessary to the public and to industry, is able to perform fully the role for which it is best suited.

A. Need for Administration leadership in development of national policies and programs in the transportation field.

B. Organizational aspects cannot be separated from policy considerations.

C. Present organization does not permit focusing of responsibility for policy formulation on any one Cabinet Member.

D. Little progress has been made in overcoming traditional opposition to the basic changes needed in this area, and in this respect no overall policy review has ever been made. No substantial review of regulatory policy has been made since enactment of Transportation Act of 1940, which was a series of amendments to the Interstate Commerce Act applicable to carriers subject to the I. C. C.

II. CONSIDERATIONS

A. As things exist today, the long term financial outlook for all forms of public transportation is unfavorable.

B. Carriers on which we must rely heavily to meet present day and mobilization requirements cannot maintain plants and equipment in peak physical condition, and are unable to keep abreast of technological developments.

C. Promotional policies, including all forms of subsidies, conflict with regulatory policies, which in turn provide excessive regulation with regulatory bodies assuming managerial prerogatives.

D. Deficiencies in policy and organization have encouraged uneconomic use of transport in traffic for which it is not best suited, thereby unnecessarily increasing the Nation's transportation bill by an estimated several billion dollars annually, and the Government's own transportation cost substantially.

III. RECOMMENDATIONS

A. Establish a Cabinet Committee to

Explore and formulate overall policy and organizational recommendations covering the whole field of transportation.

1. **Members**

   Secretary of Commerce - Chairman
   Secretary of Defense
   Director, Office of Defense Mobilization

   Ad Hoc participating members:
   Secretary of Treasury
   Director, Bureau of the Budget

2. **Advisory Groups**

   Upon request, the independent regulatory agencies in the transportation field will delegate representatives to function as consultants to the Cabinet Committee.

   The President's Advisory Committee on Government Organization will cooperate in every way possible

3. **Staff**

   The Committee is to provide itself with a small independent staff of overall transportation experts, to be located in the Executive Office of the President.

B. Timing and Publicity

1. Timing of announcement of Cabinet Committee should take into consideration certain pending legislation.

2. Coincidental with the announcement of the Cabinet Committee, a Presidential statement or speech should cover the broad aspects of this major problem, its urgency, and long term national significance.

3. Because adequate factual data is readily available from previous studies, the Committee should be able to report its recommendations within 90 days after its announcement, in time for possible inclusion in the President's legislative and reorganization programs for the next session of Congress.

THE WHITE HOUSE
WASHINGTON

4/27/54

Re Cabinet Agenda:

Mr. Wormser's office phoned. Said had spoked with Mr. Rabb re Mineral Policy Committee and hoped to be able to present this to the Cabinet on May 7th. Now finds just out of the question and hopes will keep in mind for May 14th.

gs

THE WHITE HOUSE
WASHINGTON

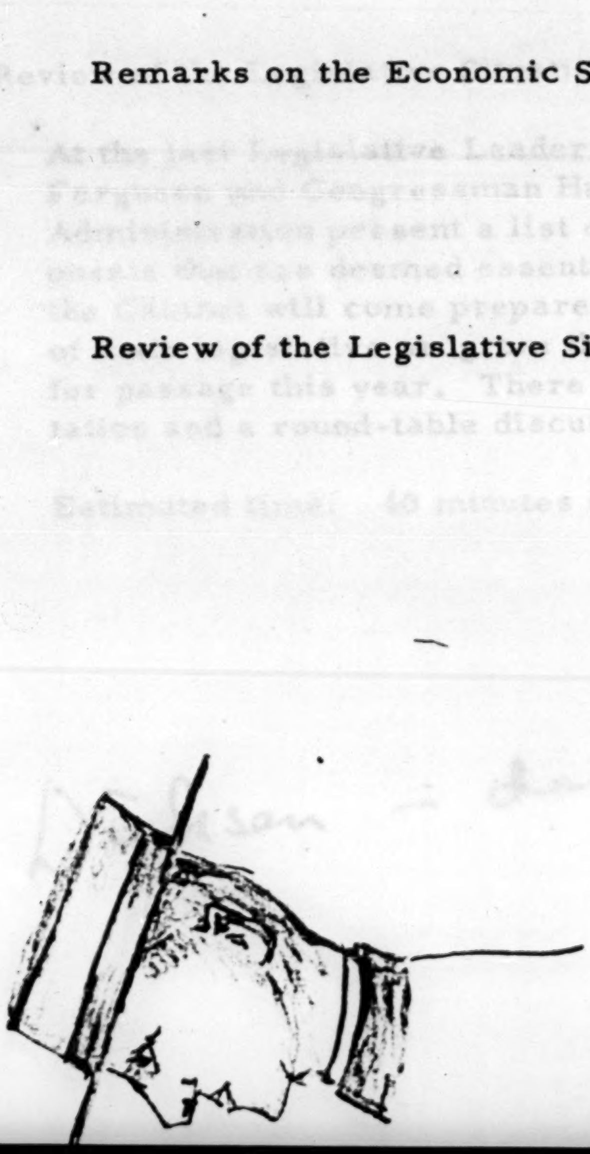
AGENDA FOR THE CABINET MEETING

Friday, May 21, 1954

1. Budget Outlook. (Director, Bureau of the Budget, The Secretary of the Treasury)

2. Remarks on the Economic Situation. (Dr. Arthur Burns)

3. Review of the Legislative Situation. (General Persons)



TENTATIVE AGENDA FOR THE CABINET MEETING

Friday, May 21, 1954

3
4
5

1. Budget Outlook. (Director, Bureau of the Budget, The Secretary of the Treasury) ✓

   Estimated time: 40 minutes ✓

2. Remarks on the Economic Situation. (Dr. Arthur Burns) ✓✓

   Estimated time: 10 minutes

3. Review of the Legislative Situation. (General Persons)

   At the last Legislative Leaders Meeting, Senator Ferguson and Congressman Halleck asked that the Administration present a list of legislative proposals that are deemed essential. The members of the Cabinet will come prepared to indicate what part of their legislative program they regard as necessary for passage this year. There will be a chart presentation and a round-table discussion.

   Estimated time: 40 minutes (plus)

Dirksen – dinner?

Few in number, because Legislative item will be big one.

Max Rabb

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E.O. 11652, Section 1
By BHC NLE, Date 8-4-76

MINUTES OF CABINET MEETING

May 21, 1954

10:05 A. M. to 12:05 P. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles
Sec. Humphrey
Deputy Sec. Anderson
(for Sec. Wilson)
Mr. Summerfield
Sec. McKay
Sec. Benson
Sec. Weeks
Under Sec. Larson
(for Sec. Mitchell)
Sec. Hobby

Director Hughes
Deputy Director Brundage
Mr. Roger Jones
Dr. Flemming
Gov. Stassen
Chairman Young
Dr. Arthur Burns

Gov. Adams
Gen. Persons
Mr. Shanley
Dr. Hauge
Mr. Morgan
Mr. Gruenther
Mr. Martin
Mr. Hagerty (in part)
Mr. Rabb

The President opened the meeting by reading a copy of a letter he thought would be of interest to all the Cabinet. It was sent by Chairman Reed to the members of the Ways and Means Committee and emphasized the responsibility of Republicans to press for completion of the Administration program, particularly because of the brief time remaining in this session. Chairman Reed stated his insistence on Republican attendance at Committee meetings, lacking which he would have to refuse to call any meetings. The President was particularly pleased with this evidence of Chairman Reed's intentions and support.

Congressional Relations - The President spoke with favor of Senator Dirksen's proposal that Cabinet members could profitably hold informal dinners with appropriate Members of Congress for discussion of departmental legislative programs. Senator Dirksen believed such discussions more effective than Committee hearings and offered his assistance in arranging them.

Budget Outlook - Director Hughes summarized budgetary policy as having the following basic principles: (a) The US must have a healthy economy as a base for world security, (b) The US must meet continuously the cost of its security program, (c) The budget must be in substantial balance, (d) Non-security programs ought be minimized and all waste eliminated,

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(e) The Administration must work for an expanding economy, (f) In accomplishing these things a maximum of private enterprise and a minimum of Federal activity in business should be encouraged.

Director Hughes then stated that the budget outlook was based on the assumptions that there would be continued growth of the economy through 1957, price levels would be maintained, unemployment would average 2½ million (old-style estimates), and there would be no increase in international tensions.

If expenditures for fiscal 1956 and 1957 are assumed at present levels, according to Director Hughes, the anticipated reduction of tax receipts will result in an administrative deficit of $6.8 billion for 1956 and $5.9 billion for 1957. He presented charts detailing the several items involved.

Mr. Hughes asserted very little further reduction was possible in non-security items and that any real reduction of the anticipated deficits would have to be made in the security program. He noted that certain additional tax reductions considered desirable by some would, if enacted, increase the deficits to $9.7 billion for 1957 and $12.0 billion for 1957.

Mr. Hughes pointed also to possible Congressional changes in the 1955 budget which would increase the deficit by $3.3 billion. This included the cost of the Administration's legislative proposals for this year.

In discussion of this presentation Secretary Humphrey emphasized the necessity of maintaining a long-range economy program, and anticipated an adverse public reaction should there be no additional tax cuts next year while the deficit still increases. Secretary Benson viewed the proposed farm legislation as critical, as evidenced by the immediate need for a supplementary CCC appropriation for fiscal 1954 as a result of extra large crops and an accompanying need for increased storage facilities. Secretary Weeks expressed hope for a balanced budget in 1956 when half of the Administration term will be completed.

The President cautioned against loose political thinking in regard to balancing the budget and recalled his own refusal to promise a balance by any date. He believed that any comparisons of achievement ought be made with respect to the budget projections of the previous Administration, that this Administration is moving in the right direction, that all unnecessary expense must be cut from the budget, and that thereafter the Administration must fight for adequate and if need be higher taxes to meet necessary expenditures.

Economic Situation - Dr. Arthur Burns reported continuing improvement in the economic situation where for the third straight month the number of reported increases in orders and production surpassed the decreases, and he believed the beginning of an upward turn might be in progress.

Dr. Burns reverted to the budgetary situation to suggest that the political opposition may make campaign material out of the Truman budgetary history on the grounds that the national economy expanded while the size

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of the debt remained relatively stable. He cited statistics to show that the country "grew up to the debt" since in recent years the Federal debt has constituted a decreasing proportion of the national output and a decreasing percentage of the total public debt. The President asserted that, while some might want to make a virtue out of those statistics, the fact remained that the previous Administration had improved the debt picture by virtually complete neglect of national security and then subsequently undertook a belated preparedness program without any provision for financing it. The effect, he said, was to create a security crisis and then pass the bill for it to the present Administration.

Dr. Burns then noted favorably the slower rate of decline of inventories which suggests that sales at a steady rate are being met from production rather than inventory.

Legislative Situation - The President noted the desire of Senator Knowland and Representative Halleck to have a firm list of legislation urgently desired this session by the Administration. General Persons indicated that Cabinet members should call attention immediately to any items omitted from the review made at this meeting. The President stated that any further requests for legislation this session should be limited to items essential to the public interest.

The discussion included suggestions that the President appeal to the country in the near future as a means of securing support for his program in the face of concerted attempts by the political opposition to make it fail. The Vice President urged particularly that the President make such an appeal prior to the vote on the tax revision bill, for Democratic strategy seemed to be dependent on public disinterest in any particular bill.

A suggestion that it might be necessary to call a special session of Congress in order to complete the program received mixed comment but the Vice President suggested that at the right time appropriate hints at a special session could be a useful tactic.

The review covered the items listed on the charts maintained by Mr. Gruenther and the entries below cover unusually significant comments:

Upper Colorado River - Amendment has been proposed by Under Secretary Tudor which may secure the support of the Hoover Commission for the entire project. Post Office Legislation - Mr. Summerfield characterized the Corbett amendment as unacceptable and stressed the necessity for securing approval of the reclassification proposal. He commented at length on the strength of the postal union's lobbying. The President stated his opposition to any bill which would provide a general 10% salary increase. Tanker Program - Secretary Weeks stressed the desirability of securing approval for the two bills prior to mid-June. Agricultural Legislation - Secretary Benson anticipated Senate Committee support for the major farm bill and he noted the potential "one package" strategy of the House. The President indicated a willingness to veto any bill which did not provide for initiating the 1949 program. It was agreed

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that no threat of veto should be voiced by the President or Secretary Benson at this time. Secretary Benson and Director Hughes reported on efforts to shape legislation concerning Agricultural Attaches without establishing a separate Agriculture Foreign Service. Social Security - Mrs. Hobby noted considerable progress on the OASI legislation in the House Committee with problems remaining only in respect to the wage base and the disability freeze. She emphasized the need for adoption of the new public assistance formula. Unemployment Insurance - Mr. Morgan expressed doubt that this bill will be approved by Committee without limiting the coverage to propose those concerns employing "four or more" people. Under Secretary Larson urged that the Administration strongly support extension of the coverage to concerns having "one or more".

LAM
L. A. Minnich, Jr.

Copies to:
✓Mrs. Whitman
Mr. Rabb
Mr. Minnich

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

May 21, 1954

PERSONAL AND CONFIDENTIAL

Dear Governor Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet meeting:

Congressional Relations - It was agreed that considerable benefit could be derived through informal dinners arranged by Cabinet members with appropriate Members of Congress for the purpose of discussing departmental legislative programs.

Budget Outlook - Representatives of the Bureau of the Budget will begin next week to discuss with each department the approaches to the 1956 budget estimates.

Legislative Program - Cabinet members were requested to call to General Persons' attention immediately any items omitted from the review of the legislative program considered to be urgent.

Additional requests for legislation this session will be limited hereafter to items essential to the public interest.

Administration Achievements - The need for frequent repetition of Administration achievements in public statements was again emphasized.

Sincerely,

Maxwell M. Rabb

Maxwell M. Rabb
Cabinet Secretary

Honorable Harold E. Stassen
Director
Foreign Operations Administration

(COPY OF LETTER SENT TO ALL REPUBLICAN MEMBERS
OF COMMITTEE)

May 19, 1954.

Hon. Howard H. Baker, M. C.
House of Representatives

Dear Colleague:

I feel constrained as Chairman of the Ways and Means Committee to write to each of my colleagues on this important Committee.

We each have a very great responsibility to carry through the legislative program of our own Administration. We have only 8 days remaining to consider and draft the social security bill if we hope to take care of the unemployment insurance bill, the Philippine trade agreements extension, the extension of the reciprocal trade program and the conference on H. R. 8300 now pending in the Senate. The conference on the big tax bill will require 5 members of our Committee in attendance which will make it difficult for the whole Ways and Means Committee to function.

I repeat what I have said on previous occasions that this is our Administration and the responsibility for essential legislation rests upon our shoulders. I want to say that if I cannot depend upon the presence of the Republican members of the Ways and Means Committee so that we have a quorum at all times I shall adjourn the Committee subject to the call of the chair and drop all consideration of pending legislation until such time as I can have the full support of the Republican members.

It is with sincere reluctance that I deem it necessary to write this letter. I express appreciation to those Republican members who have been in regular attendance at Committee meetings.

Sincerely yours,

Daniel A. Reed
Chairman

May 20, 1954

MATTERS OF PRIMARY IMPORTANCE
IN
THE DEPARTMENT OF JUSTICE LEGISLATIVE PROGRAM

✓ (1) To authorize the use of wire tap evidence in Federal courts.

H.R. 8649 has passed the House and is pending with the Senate Judiciary Committee.

✓ (2) To amend secs. 1,3, and 4 of the Foreign Agents Registration Act.

S. 3100 and H.R. 7741 are pending with respective Committees on the Judiciary.

✓ (3) To amend 18 U.S.C. 1071, the Harboring Statute.

S. 3231 and H.R. 7486 are pending with the respective Committees on the Judiciary.

✓ (4) To amend 18 U.S.C. 794 so as to make peace time espionage a capital offense.

S. 3439 and H.R. 9021 are pending with the respective Committees on the Judiciary.

✓ (5) To amend 18 U.S.C. 2151, 2153-2156, relating to sabotage.

S. 3459 and H.R. 8749 are pending with the respective Committees on the Judiciary.

✓ (6) To amend 18 U.S.C. so as to extend the law relating to perjury to the willful making of contradictory statements under oath.

S. 3474 and H.R. 9170 are pending with the respective Committees on the Judiciary.

✓ (7) To provide for the expatriation of United States citizens under certain circumstances.

H.R. 7325 is pending with the House Committee on the Judiciary.

✓ (8) To amend section 20(a) of the Internal Security Act so as to provide a separate registration statute for persons trained in espionage, etc.

S. 3475 and H.R. 9023 are pending with the respective Committees on the Judiciary.

✓ (9) To provide for the barring of subversives from certain defense facilities.

S. 3428 and H.J.Res. 527 are pending with the respective Committees on the Judiciary.

✓ (10) Proposed Communist-Infiltrated Organizations Act of 1954.

S. 3427 and H.J.Res. 528 are pending with the respective Committees on the Judiciary.

State (Int. Claims) + War Claims involved

(11) To amend section 9(a) of the Trading With the Enemy Act so as to permit under certain circumstances the sale of vested properties which are the subject of litigation for their return.

S. 2171 is pending with the Senate Committee on the Judiciary; H.R. 5896 and H.R. 5988 are pending with the House Committee on Interstate and Foreign Commerce.

X (12) To amend section 3 of the Slot Machine Act.

S. 3190 and H.R. 9079 are pending with the respective Committees on Interstate and Foreign Commerce.

x (13) To authorize and direct the investigation by the Attorney General of certain types of offenses committed by Government employees.

S. 2308 passed the Senate and is pending with the House Committee on the Judiciary.

? (14) To amend 18 U.S.C. 3731, the criminal appeals Act.

The Department has proposed amendments to S. 178 and H.R. 7404, bills pending with the respective Committees on the Judiciary.

X (15) To prohibit the transmission of certain gambling information in interstate and foreign commerce.

H.R. 7311 is pending with the House Committee on Interstate and Foreign Commerce.

✓ (16) To authorize the granting of immunity from prosecution to witnesses compelled to testify before courts, grand juries, and Congressional bodies.

H.R. 6899 is pending with the House Committee on the Judiciary.

THE PRESIDENT

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, June 4, 1954

1. **Speeches by Administration Officials.** **(The President)** ✓

2. **Review of Loans vs. Grant Policy by FOA.** **(Director, Foreign Operations Administration)** ✓

   Estimated time: 20 minutes.

✓ 3. **Review of Economic Situation.** **(Dr. Arthur Burns)** ✓

   Estimated time: 15 minutes.

4. **New Developments Affecting Agricultural Legislation.** **(The Secretary of Agriculture)** ✓

   Estimated time: 15 minutes.

5. **Cabinet Sub-Committee Report on Group Hospital and Medical Program for Federal Employees.** **(Chairman Young and Mr. Rockefeller)** ✓

   Estimated time: 10 minutes.

6. **Bi-monthly Summary of Labor Market Developments in Major Areas.** **(The Secretary of Labor)** ✓

   Estimated time: 10 minutes.

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E.O. 11652, Section 1
By BHC NLE, Date 8-4-76

MINUTES OF CABINET MEETING

June 4, 1954

9:00 A. M. to 10:55 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles, and
  Deputy Under Sec. Robert Murphy
Sec. Humphrey
Sec. Wilson
Deputy Attorney Gen. Rogers
  (for Mr. Brownell)
Mr. Summerfield
Under Sec. Tudor
  (for Sec. McKay)
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Hobby

Director Hughes
Dr. Flemming
Gov. Stassen
Chairman Young
Dr. Burns

Gov. Adams
Gen. Persons
Mr. Shanley
Gen. Cutler
Mr. Rabb

Speeches by Administration Officials - The President urged the Cabinet to be extremely cautious about using foreign policy material in public addresses. He cited the possibility of causing unnecessary harm, as in the case of a recent mistaken reference. Sec. Dulles noted that an effort had been made to clear the speech with the State Department but that insufficient time was allowed for reaching a top official as must be done for speeches of such importance. The Secretary stated that the question ought be raised about each speech as to whether it might best be made by a militaryman or a diplomat. The President wished not to lay down rules but to trust to the good sense of the Cabinet instead.

Following Sec. Wilson's censure of the speech, which he identified as Adm. Carney's and which had been cleared for security but not for diplomatic propriety, the President commented that he had spoken to members of the JCS on the undesirability of policy speeches by men in uniform.

On a different aspect, the President urged Cabinet members to stress some phase of the broad Administration program, not necessarily

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By BHC NLE, Date 8-4-76

within their own field of responsibility, from now until the end of the Congressional session. He indicated that Gov. Adams and Gen. Persons would be glad to advise on critical topics needing discussion at any particular time.

Foreign Loan-Grant Policy - Gov. Stassen presented a suggested statement of policy concerning the FOA 1955 program on loans and grants to foreign countries. The nine point statement included provision that a loan should be made only when the recipient country has future capacity to repay, otherwise the need for aid should be met by a grant; that FOA should not make loans otherwise possible through the International Bank or the Export-Import Bank; that loans should not be short-term, and should be directed toward productive projects; that loans should be serviced by the Export-Import Bank; that repayment might be in either dollars or local currency; that receipts from repayment be held for such future use as Congress may authorize; and that a minimum of $100 million from the FOA 1955 appropriation be reserved for such loans.

Sec. Humphrey strongly approved the proposal. Sec. Dulles suggested it be modified to allow for future changes of capacity to repay since local economies may show definite improvement and the US may have future need of the credits, to which Gov. Stassen agreed. Sec. Weeks questioned whether paragraph 4 meant that the Advisory Committee on Monetary Policy would approve individual loans or general terms, and Gov. Stassen indicated it would be a policy approval.

The President and Cabinet approved the proposed policy statement as modified at the suggestion of Secretary Dulles.

Economic Situation - Dr. Burns noted the statistics for May unemployment as continuing the more favorable trend of April, although the increase of employment is in agriculture while unemployment in industry continues to increase. He was very encouraged, however, by the substantial increase in the length of the work week (39.0 to 39.3) and by the fact that such an increase habitually precedes increased hiring.

(Secretary Dulles was replaced by Deputy Under Sec. Robert Murphy at this point.)

Dr. Burns cited the unevenness in unemployment and listed States having unemployment of less than 4%, over 6%, and the very serious condition of New Hampshire, Rhode Island, Kentucky and West Virginia having over 10%.

Dr. Burns forewarned that June and July statistics usually show an increase of unemployment because of student graduations. Sec. Mitchell queried whether the June figures could reveal that element, Sec. Wilson questioned the validity of including in the statistics people who draw old age benefits, and Sec. Humphrey made a similar reference as to married women.

Sec. Humphrey emphasized that the greatest unemployment was in the field of reduced Government purchases, with a consequent need for

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encouragement of purchases of heavy goods by the dividend exemption proposal and the tax revision bill generally.

Sec. Mitchell stated that the current bi-monthly summary of the labor market completely refutes optimism since 16 major areas are being added to the Group 4 classification of "surplus" because of the manufacturing decline. Dr. Burns referred to weaknesses in the classification system.

In response to the President's interest in any special recommendations for this week, Dr. Burns noted the continuing high rate of interest on small loans and the attention being given to it by the Federal Reserve Board. Sec. Humphrey explained a basic difference of opinion as to the means of achieving the desired result. The President was concerned lest the Administration not be taking sufficient action and emphasized that the Government must do everything possible even though it jarred the sense of logic of Cabinet members, in order to get out of the current situation and restore vigor to the economy. He directed Dr. Burns to make a complete presentation at the next Cabinet meeting of additional actions available to the Administration for strengthening the economy. He believed that the Administration had to undertake everything possible and to err if necessary on the side of doing too much rather than too little. He emphasized the importance of producing visible results.

Interspersed with the President's remarks was a debate between Dr. Burns and Sec. Humphrey on the facts of the Federal Reserve Board policy of purchasing securities along with several statements by Sec. Humphrey to the effect that numerous things had been done which would soon begin to take effect.

Agricultural Legislation - Sec. Benson reported on his trip to the farm belt where he found Mid-West sentiment extraordinarily strong in favor of the Administration program. He noted the action of several Minnesota Republican organizations expressing such support in opposition to the public stands of their Congressional representatives.

The President commented on the need for getting this information to appropriate Members of Congress along with the series of charts presented by Sec. Benson which showed the limited role of rigid price supports in comparison with overall farm receipts. Sec. Benson also noted the favorable results tabulated in the Congressional Quarterly summary on public opinion polls taken by Congressmen. It was indicated that the President and Sec. Benson might make a national television broadcast next week on the farm program.

Federal Employee Hospitalization and Medical Program - Chairman Young reported that recommendations were now complete on both of the two remaining items in the broad personnel program presented previously to Cabinet. Those concerning coordination of Wage Board salaries could not be regarded as "must" legislation and hence would be held over until the next session.

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By [illegible] NLE, Date 8-4-76

Recommendations for the group hospitalization and medical care program were now complete and the Cabinet Committee requested approval for securing Budget Bureau clearance and then submitting to Congress a bill giving the Civil Service Commission blanket authority to set up the varied arrangements. Detailed and complicated arrangements would be presented to Congress by Chairman Young in a covering letter.

Chairman Young foresaw little possibility of action by Congress this session and he proposed merely to drop the bill in the hopper. Mrs. Hobby stated her desire to press this measure particularly in view of the manner in which long-term career servants were dragging their feet on it out of support for the opposition. Sec. Wilson favored the bill because of its evidence of Administration interest in people, and Mr. Flemming desired also to press for approval. Director Hughes stated that clearance could be effected quickly. The President agreed that efforts, short of placing it on a "must" list, ought be made toward securing approval.

Anti-Subversive Program - The Vice President cited Sec. Benson's policy report as evidence that popular dislike can be turned into approval through aggressive support for sound principles in any program. He then urged the Cabinet to repeat frequently in various parts of the Nation the material presented by the President at his last press conference concerning the anti-subversive accomplishments of the Justice Department.

Tanker Construction Program - Secretary Weeks called attention to the difficulty being encountered in securing approval for the tanker program. He stated that Mr. Vinson desired to see the tankers built privately instead of by the Navy. Secretaries Benson and Humphrey and Mr. Flemming voiced opinions that it would be desirable to modify the legislation in such a way as would secure construction of the tankers. The President instructed Gen. Persons to follow up on this matter.

Import Duty on Watches - In calling attention to a Defense Department comment on the Tariff Commission recommendation for increasing duties on foreign made watches, the President expressed his belief that insufficient attention had been paid to the critical need for trained personnel in time of emergency. Sec. Wilson pointed out the lack of correlation between watch-making skills and defense emergency needs. Mr. Flemming noted that this was not an "either/or" proposition and that ODM was currently studying mobilization needs in this field.

Gov. Stassen suggested the need for exercising caution against giving the appearance that the Administration was rejecting routinely all Tariff Commission reports. The President agreed on this factor but indicated that no decision was to be made at the moment on the duty on watches.

LAM
L. A. Minnich, Jr.

Copies to:
✓Mrs. Whitman
Mr. Rabb
Mr. Minnich

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

June 4, 1954

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PERSONAL AND CONFIDENTIAL

Dear Governor Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet meeting:

Speeches by Administration Officials - Cabinet members and their assistants will consult carefully and in adequate time with responsible officials of the Department of State in regard to any discussion of foreign policy matters they propose to include in public addresses.

The President urged that from now until Congress adjourns Cabinet members stress in all their public addresses some phase of the broad Administration program. Members of the White House staff will be available to advise on what items in the program merit particular emphasis in public addresses at any given time.

Foreign Loan-Grant Policy - Approval was given to the suggested policy statement as presented by Director Stassen concerning the FY 1955 Loan-Grant Program, on the understanding that the first paragraph of the statement will be modified to provide for giving due regard to future as well as present potential for repayment in local currencies.

Economic Situation - Dr. Burns will make a full presentation at the next Cabinet meeting of additional actions available to the Administration for strengthening the national economy.

Federal Employee Hospitalization and Medical Program - It was agreed that clearance of the proposed legislation for a Federal Employee Hospitalization and Medical Program should be expedited by the Bureau of the Budget and that it will be submitted to Congress with a recommendation for enactment this session.

Tanker Construction Legislation - Every effort will be made to secure Congressional approval for construction of the

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-4-76

tankers recommended in the Navy and Commerce programs.

Anti-Subversive Program - Emphasis was placed on the need for frequent restatement throughout the Nation of the material presented at the last Presidential press conference concerning the Administration achievement in eliminating Communist influence within the United States.

Sincerely,

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

Honorable Harold E. Stassen
The Director
Foreign Operations Administration

THE WHITE HOUSE
WASHINGTON

·By-Monthly Summary of Labor Mk't Developments in Major Areas. (Sec'y. of Labor)

Estimated time:
10 mins.

The Dep't has classified Labor Mkts in 4 groups - Classification has been according to arbitrary criteria - will put 16 major areas, hitherto in Group 3 into Group 4.

CABINET - JUNE 4, 1954

SUGGESTED LOAN-GRANT POLICY
FOR THE PRESIDENT'S F. Y. 1955 FOREIGN OPERATIONS PROGRAM

The Randall Commission recommended, and the President proposed in his message to Congress based on that report, that loans should be used when feasible in place of grants in the Foreign Operations Program.

As a first step in the implementation of this proposal the Foreign Operations Administration, after consultation with the National Advisory Committee on Monetary policy, which includes representatives of Treasury (Chairman), State, Commerce, Federal Reserve Bank, and FOA, suggests the following provisions for the F. Y. 1955 President's Foreign Operations Program.

1. That loans should be made, in place of grants, only on the basis that there is a responsible estimate in the U. S. Government that the recipient country has a future capacity to repay on the terms of the loan.
2. That it is not desirable U. S. policy to make a loan if it is estimated the other country could not repay it; if the country could not repay a loan and needs aid from the standpoint of our national foreign policy, it should be a grant rather than a loan.
3. That these loans shall not be made under circumstances where the need can properly be met by either the International Bank (IBRD) or the Export Import Bank; that the loans shall not be made in a manner that would substantially impair the countries' capacity to borrow from Export Import Bank or IBRD.

4. That the loans shall as a whole be medium - to long-term and shall be made under such conditions as approved by the NAC.

5. That loans should be generally directed, within an estimate of capacity to repay, toward and identified with those projects that are income earners within the other economy.

6. That the loans when made shall be serviced by the Export-Import Bank and not by any new or special agency or corporation.

7. That the loans should be negotiated on a basis of being repayable either in dollars or in local currency; that when loans are repayable in local currency they shall be denominated in dollars and an exchange rate guarantee shall be included; that if repayments are in local currency they should be expended for purposes agreed between the United States and the borrowing country.

8. That the loans when repaid, whether in local currency or in dollars, shall be held in a special fund; that the fund may be used for either new loans or new purposes - only as authorized by the Congress.

9. That of the total FY 1955 appropriation not less than $100 million shall be reserved for such loans and shall not otherwise be used.

[Agreed upon
as below with
pencil additions]

CABINET - JUNE 4, 1954

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1. That loans should be made, in place of grants, only on the basis that there is a responsible estimate in the U. S. Government that the recipient country has a future capacity to repay on the terms of the loan, giving due regard to potential of repaying local currencies under future conditions
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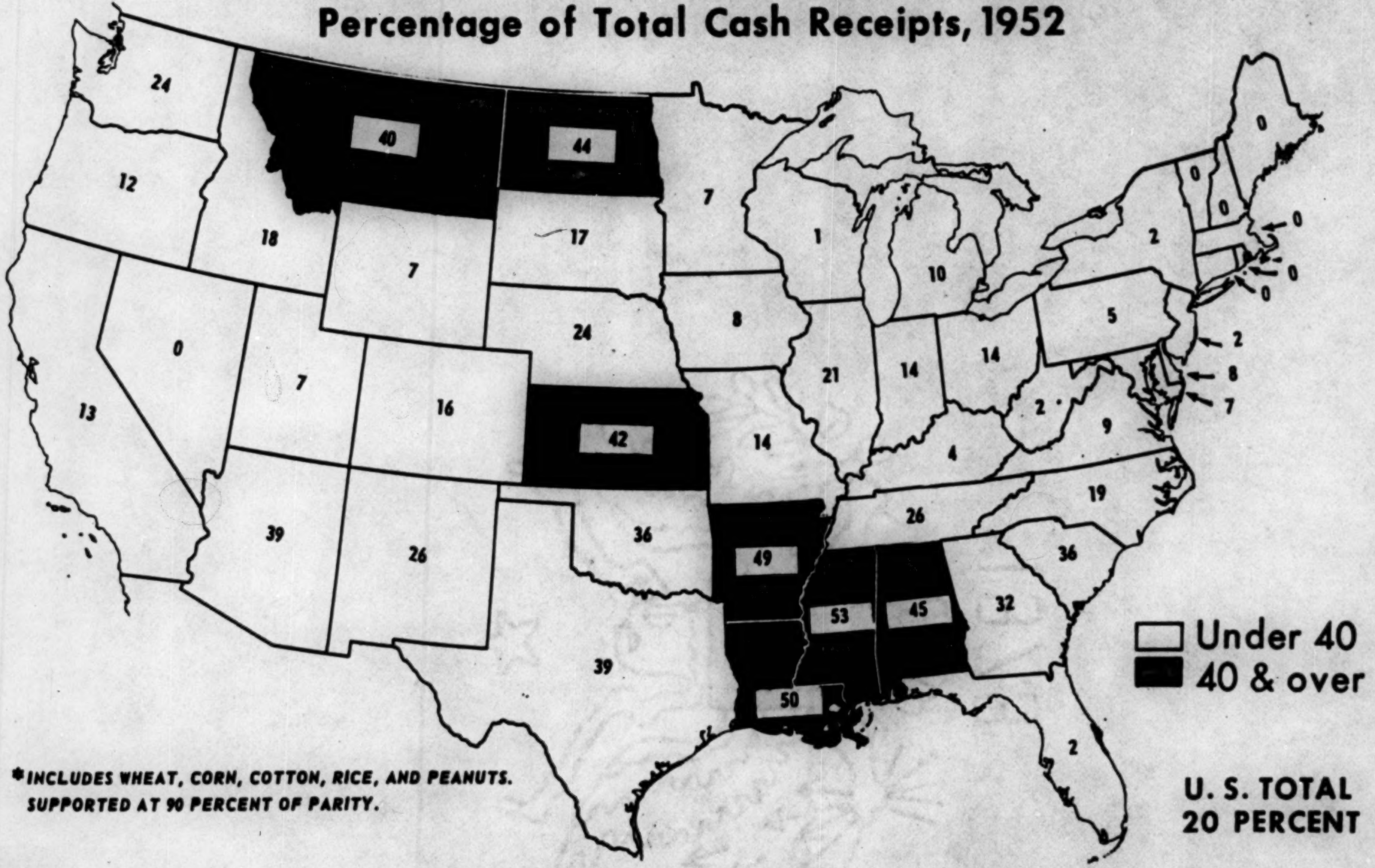
(1)

CASH RECEIPTS FROM BASIC COMMODITIES, EXCLUDING TOBACCO*

Percentage of Total Cash Receipts, 1952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0
2
8
7
Under 40
40 & over

U. S. TOTAL
20 PERCENT

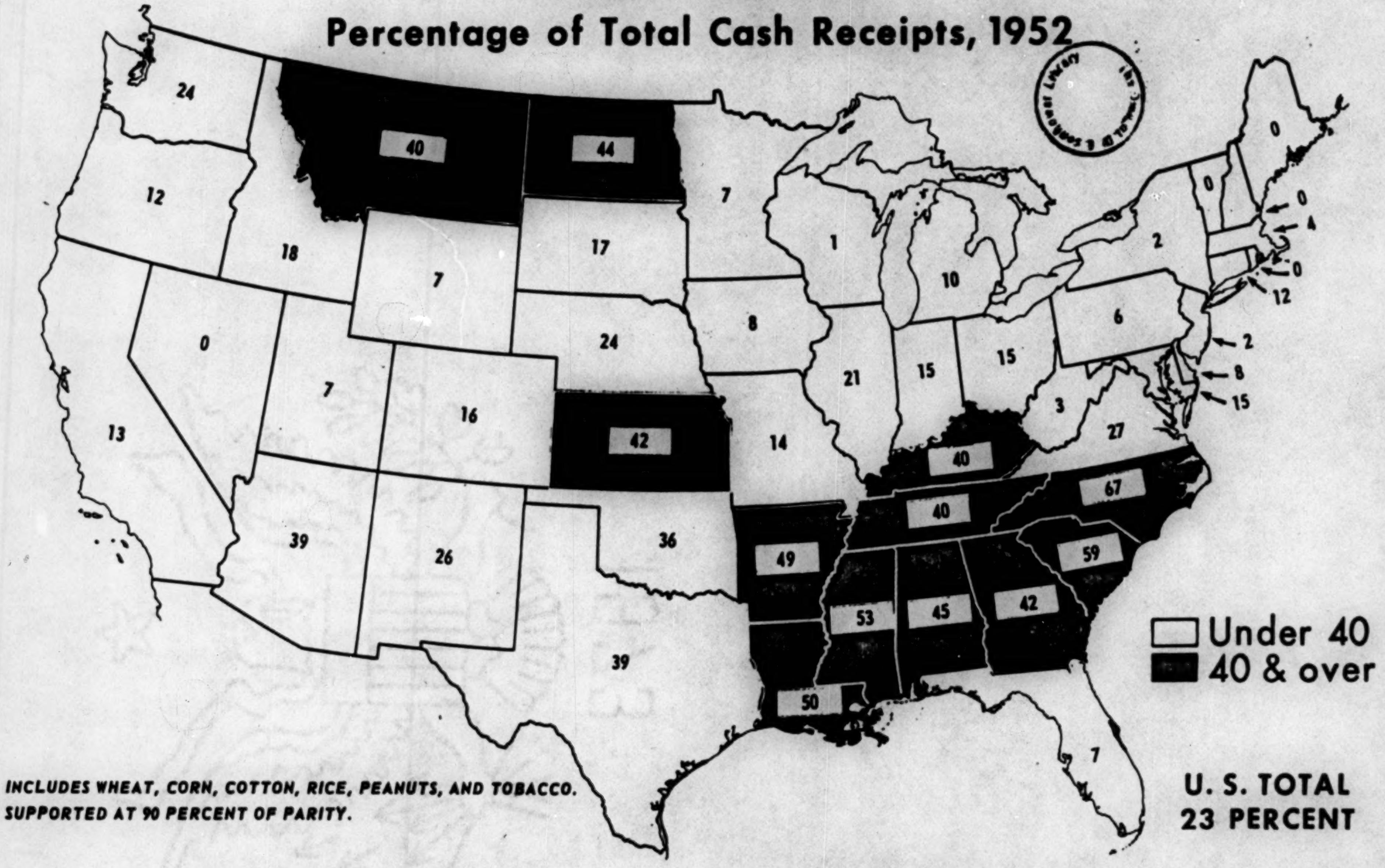
*INCLUDES WHEAT, CORN, COTTON, RICE, AND PEANUTS. SUPPORTED AT 90 PERCENT OF PARITY.

U. S. DEPARTMENT OF AGRICULTURE NEG. 820-54(5) AGRICULTURAL MARKETING SERVICE

(2)

CASH RECEIPTS FROM BASIC COMMODITIES

Percentage of Total Cash Receipts, 1952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2
0
0
0
4
0
12
2
8
15
□ Under 40
■ 40 & over
U. S. TOTAL
23 PERCENT

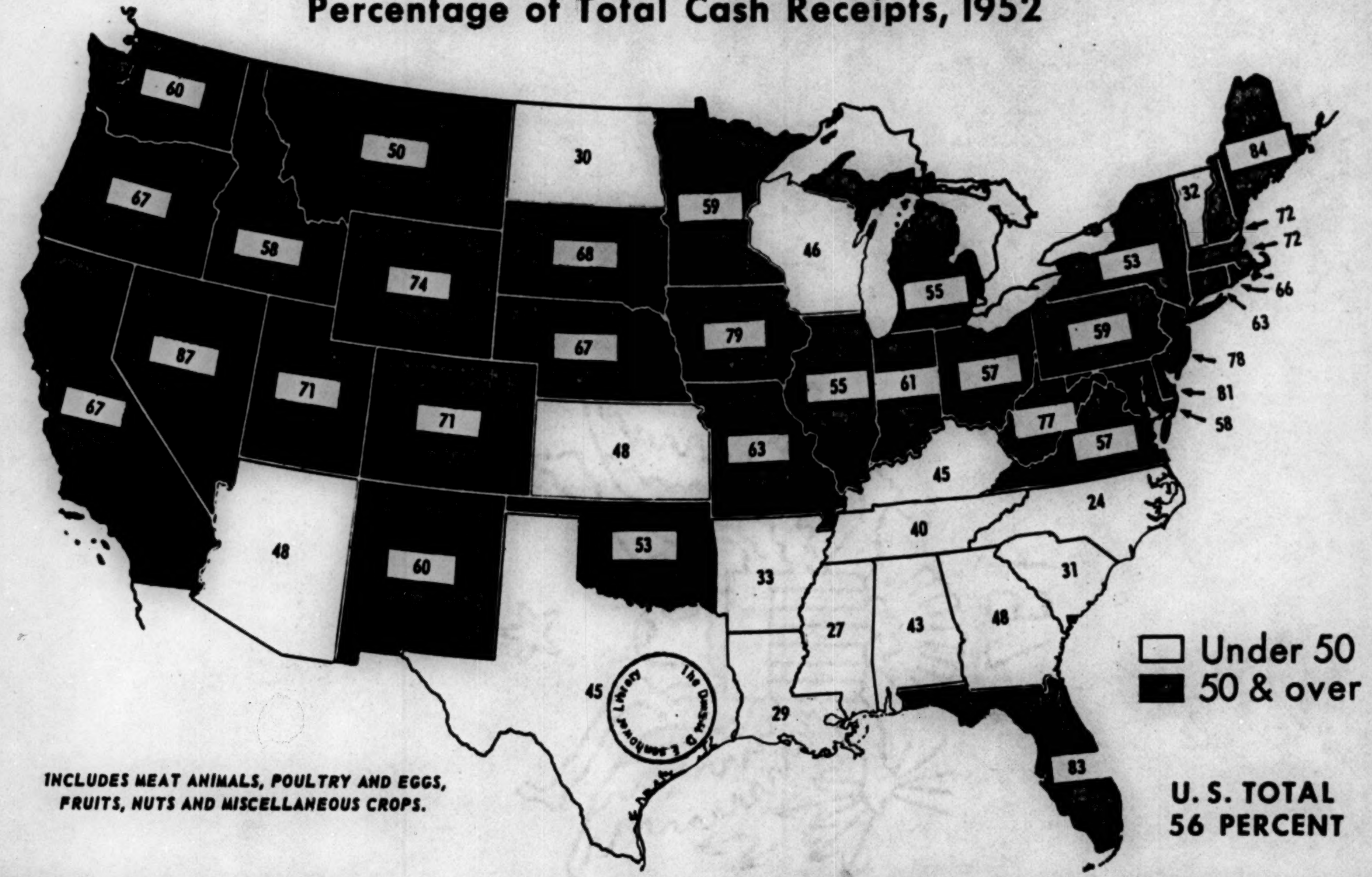
INCLUDES WHEAT, CORN, COTTON, RICE, PEANUTS, AND TOBACCO. SUPPORTED AT 90 PERCENT OF PARITY.

U. S. DEPARTMENT OF AGRICULTURE NEG. 816-54(5) AGRICULTURAL MARKETING SERVICE

(3)

CASH RECEIPTS FROM NONSUPPORTED COMMODITIES

Percentage of Total Cash Receipts, 1952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58
67
71
48
63
77
57
45
24
40
48
60
53
33
31
27
43
48
45
29
83
Under 50
50 & over

U. S. TOTAL
56 PERCENT

INCLUDES MEAT ANIMALS, POULTRY AND EGGS, FRUITS, NUTS AND MISCELLANEOUS CROPS.

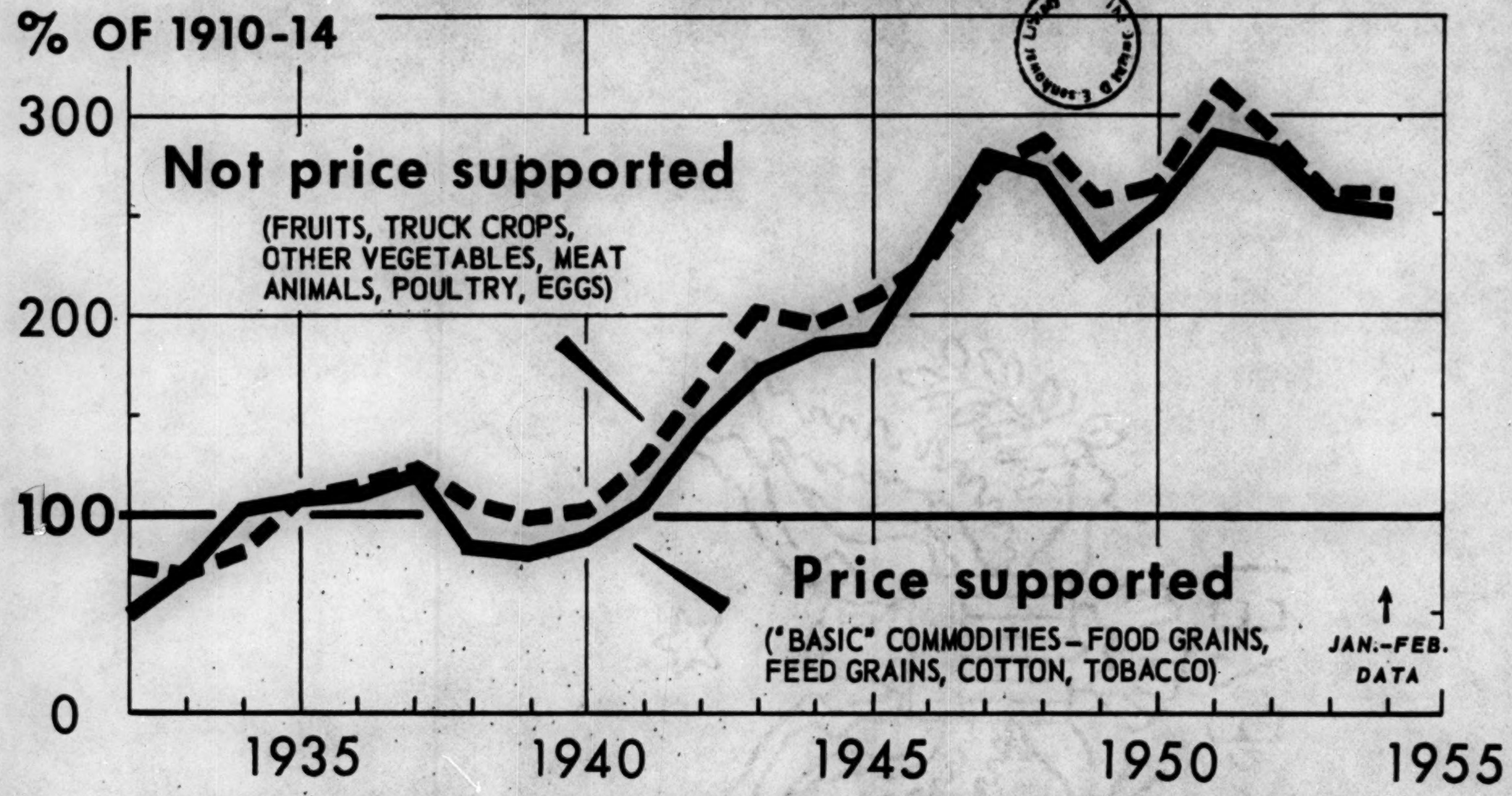
U. S. DEPARTMENT OF AGRICULTURE

NEG. 815-54(5) AGRICULTURAL MARKETING SERVICE

(4)

FARMERS' PRICES

Comparison of Prices for Price-Supported "Basic" Commodities With Those of Nonsupported Group



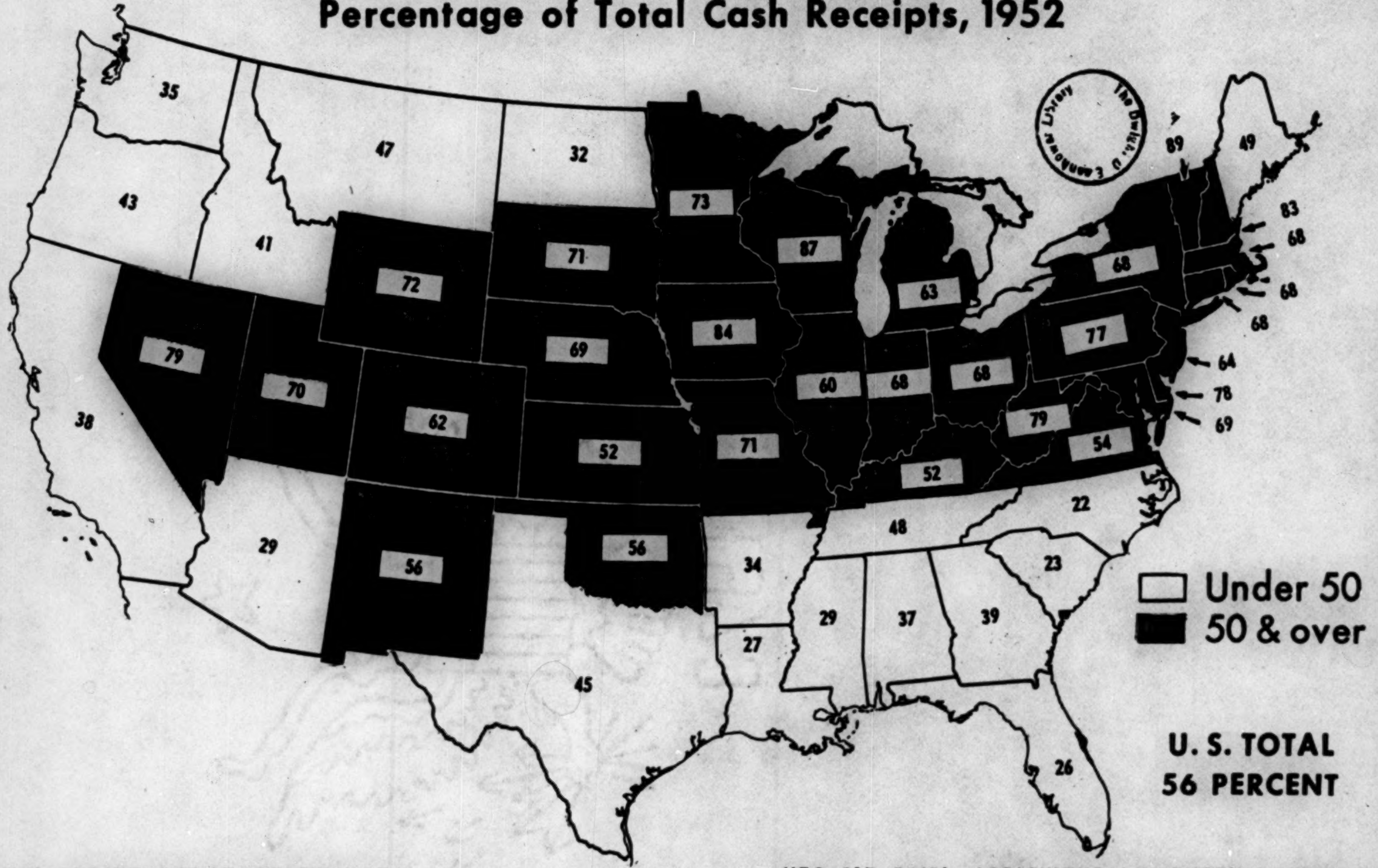
DAIRY PRODUCTS, OIL CROPS, AND WOOL NOT INCLUDED IN ABOVE CATEGORIES OWING TO VARIATIONS OF SUPPORT ACTIVITIES FOR THESE PRODUCTS

U. S. DEPARTMENT OF AGRICULTURE NEG. 82-54(3) AGRICULTURAL MARKETING SERVICE

(5)

CASH RECEIPTS FROM MEAT ANIMALS, AND DAIRY AND POULTRY PRODUCTS FOR WHICH PRICE-SUPPORTED FEEDS ARE AN ELEMENT OF COST

Percentage of Total Cash Receipts, 1952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78
69
38
52
71
79
54
52
22
29
56
56
48
34
23
27
29
37
39
45
26
Under 50
50 & over

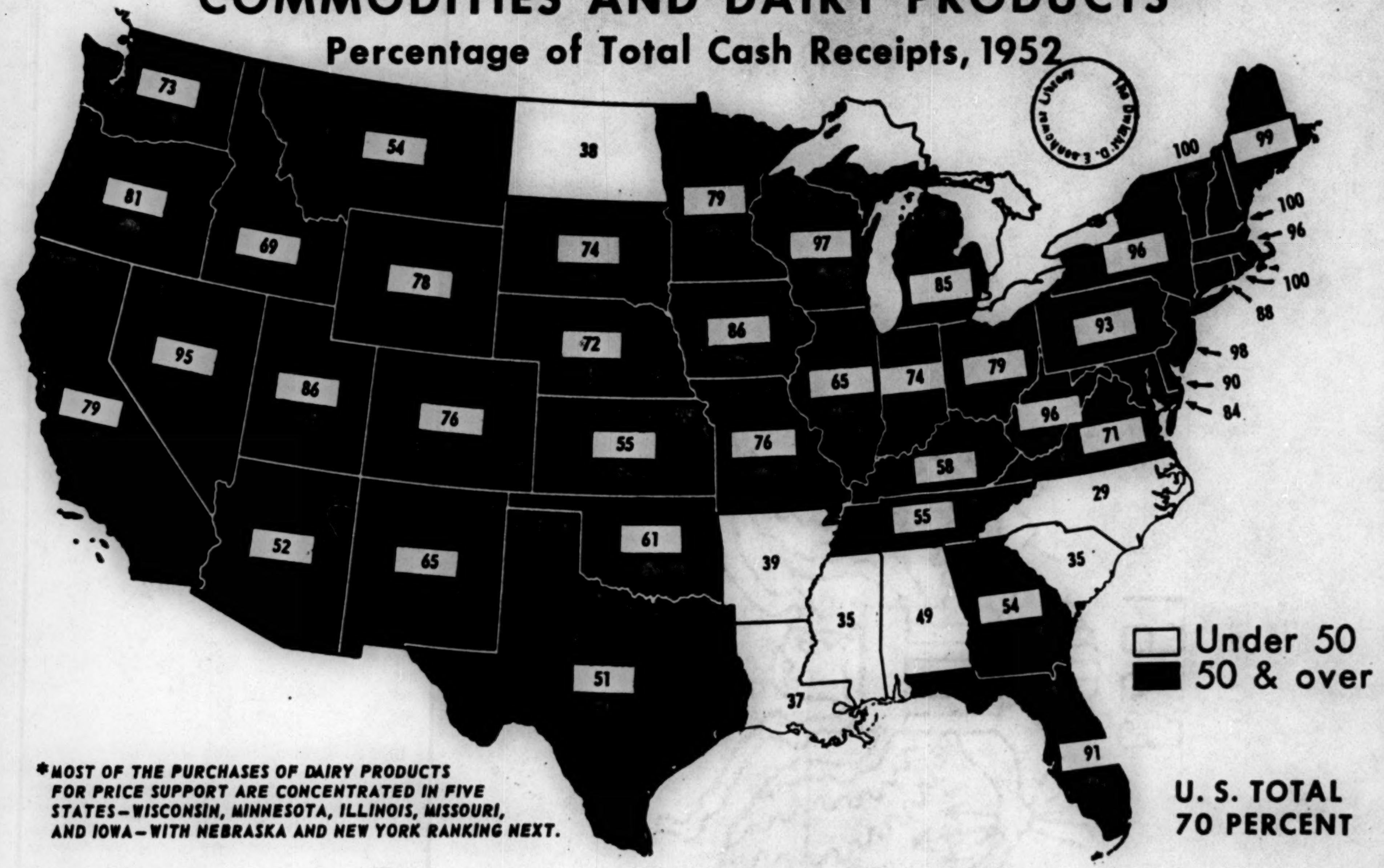
U. S. TOTAL
56 PERCENT

U. S. DEPARTMENT OF AGRICULTURE

NEG. 817-54(5) AGRICULTURAL MARKETING SERVICE

CASH RECEIPTS FROM NONSUPPORTED COMMODITIES AND DAIRY PRODUCTS*

Percentage of Total Cash Receipts, 1952


73
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86
65
74
79
98
90
84
79
76
55
76
96
71
58
29
55
61
39
52
65
35
35
49
54
51
37
91
Under 50
50 & over

U. S. TOTAL
70 PERCENT

*MOST OF THE PURCHASES OF DAIRY PRODUCTS FOR PRICE SUPPORT ARE CONCENTRATED IN FIVE STATES—WISCONSIN, MINNESOTA, ILLINOIS, MISSOURI, AND IOWA—WITH NEBRASKA AND NEW YORK RANKING NEXT.

U. S. DEPARTMENT OF AGRICULTURE

NEG. 821-54(6) AGRICULTURAL MARKETING SERVICE